2004 Annual Report and 2005-2007 Service Plan

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WORK SAFE

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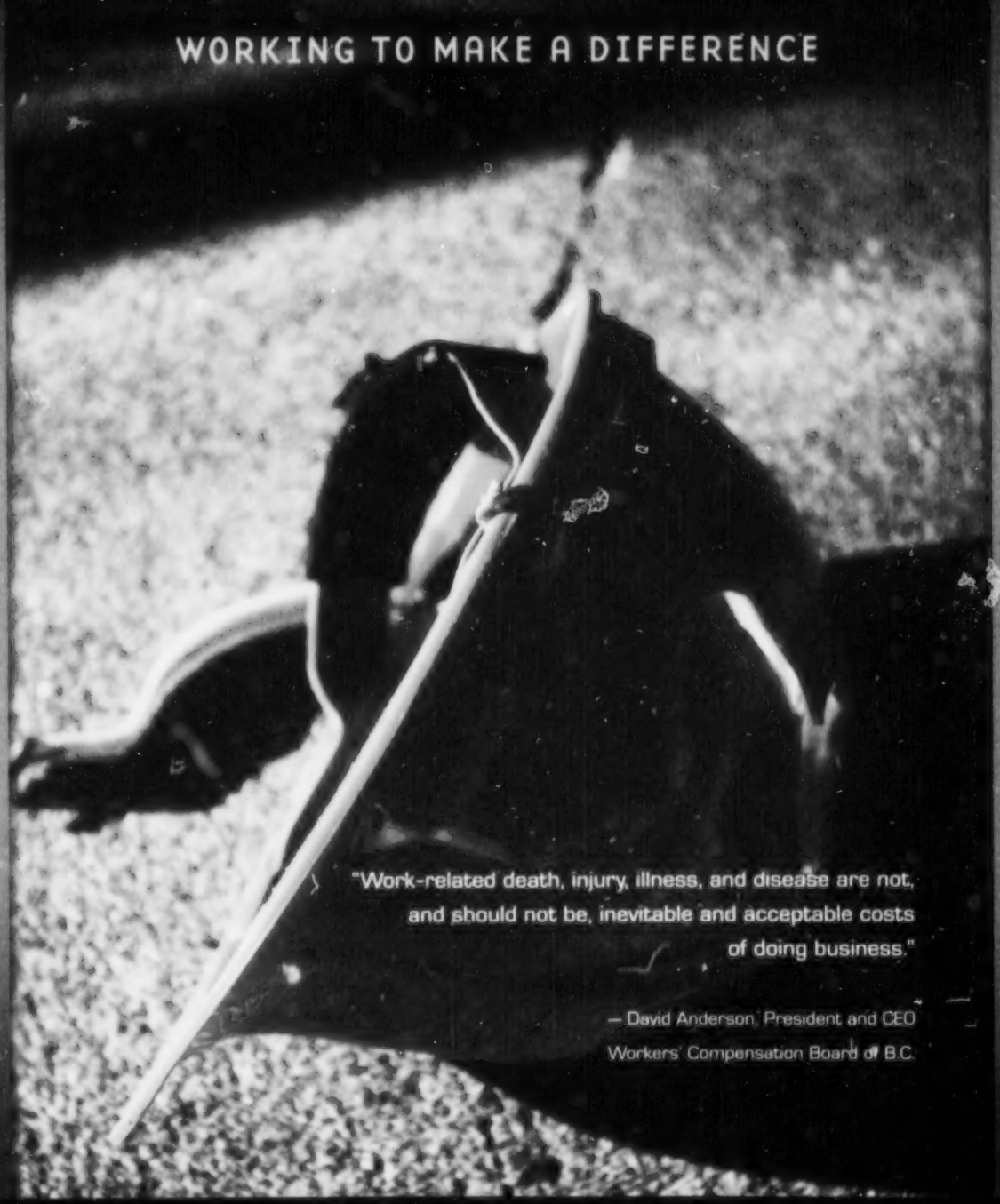
WORKING TO MAKE A DIFFERENCE



"Work-related death, injury, illness, and disease are not, and should not be, inevitable and acceptable costs of doing business."

— David Anderson, President and CEO
Workers' Compensation Board of B.C.

Workers' Compensation Board of B.C.

Strategic Foundations of the WCB

Our mandate

The origin and fundamental value of workers' compensation rests on the principle of mutual protection arising from the historic compromise in which workers relinquished their right to sue their employer and employers agreed to fund a no-fault insurance system.

The British Columbia *Workers Compensation Act* enshrines the historic compromise and creates the Workers' Compensation Board (WCB). The WCB is an independent agency governed by a Board of Directors appointed by government. The mandate of the WCB, in concert with workers and employers, is to:

- Promote the prevention of workplace injury, illness, and disease
- Rehabilitate those who are injured and provide timely return to work
- Provide fair compensation to replace workers' loss of wages while recovering from injuries
- Ensure sound financial management for a viable workers' compensation system

Our vision

Workers and workplaces safe and secure from injury, illness, and disease.

Our mission

To add value for workers and employers by:

- Assisting them to create a culture of health and safety in the workplace
- Delivering quality decisions and advice
- Providing compassionate and supportive service
- Ensuring solid financial stewardship now and in the future

Our guiding principles and premises

We, the officers and agents of the B.C. Workers' Compensation Board, believe that:

- We must focus on our core mandates – prevention, rehabilitation, and compensation.
- Our principal focus is WorkSafe™ – the promotion of healthy and safe workplaces through enforcement, consultation, and education.
- The WCB is most effective when it is dedicated to the WorkSafe initiative, facilitating the co-operation of workers and employers in preventing workplace injuries, diseases, and fatalities.
- Societal and cultural change is essential for creating a culture of health and safety in the workplace, and we play a principal role in effecting this change.
- When a worker is injured, our priority must be the rehabilitation and return to work of that worker.
- We must be driven by a service orientation that is attained through effective delivery of WCB programs and services. In doing so, we are dedicated to empowering our front-line staff through support and ongoing development and training opportunities.
- We must preserve the financial integrity and stability of the system.
- We must add value to the workers' compensation system and be an asset to our stakeholders and to the province of British Columbia.
- We must remain sensitive to the strategic priorities and comply with the legislated directions of the Government of British Columbia.

To fulfill its mandate, the WCB is enabled by:

- Transparent and accountable policies and regulations that define the type and amounts of compensation paid to injured workers, prescribe occupational health and safety standards, and determine how the system is funded and administered
- A full range of responsive programs that meet the individual prevention, compensation, assessment, and rehabilitation needs of stakeholders
- Professional, compassionate, and highly trained people working together to deliver quality service
- Effective and efficient processes that ensure quality and service excellence and eliminate bureaucracy
- Innovative and responsive services designed to meet the individual needs of stakeholders throughout the system

Who we serve

The WCB is an independent statutory agency that serves nearly 2 million workers and approximately 179,000 employers throughout B.C. It is funded by insurance premiums paid by registered employers and by investment returns. In administering the *Workers Compensation Act*, the WCB remains separate and distinct from government; however, it is accountable to the public through government in its role of protecting and maintaining the overall well-being of the workers' compensation system.

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Note: The accompanying footnotes and appendices are integral to the understanding of this report and service plan.

2004 Year at a Glance

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Operating context	2004 (Fair value)	2004 (Smoothed)	2003
Insured employers	179,257	179,257	173,008
Workers covered	1.9 million	1.9 million	1.9 million
Assessable payroll (thousands)	$55,377,000	$55,377,000	$53,002,000
Assets (thousands)	$9,851,307	$8,961,368	$8,480,408
Funded status	114%	104%	100%
Premium income (thousands)	$1,175,189	$1,175,189	$1,077,383
Investment income (thousands)	$455,516	$515,535	$495,937
Claim costs (thousands)	$1,215,865	$1,215,865	$1,288,386
Surplus from operations (thousands)	$279,859	$339,878	$154,575
Published premium collection rate	$1.91	$1.91	$1.92
Actual final collected premium rate (estimated)	$1.96	$1.96	$1.94

Claim statistics	2004	2003
Claims first reported	156,864	152,106
Claims first paid	121,440	120,470
Claims disallowed (%)	6.0%	5.9%
Fatal claims accepted	134	170
Total days lost from work	2,762,021	2,765,230

Demographics (by claims first paid)*	2004	2003
Injured workers	60,160	58,834
Male workers injured	42,440 (71%)	41,274 (70%)
Female workers injured	17,720 (29%)	17,560 (30%)
Average age of injured workers	39	39
Number of young workers injured (under age 25)	9,360 (16%)	8,990 (15%)
Number of older workers injured (age 55+)	6,185 (10%)	5,960 (10%)

Top five injuries (by claims first paid)*	2004	2003
Strains (other than back strains)	18,460 (31%)	18,080 (31%)
Back strains	14,370 (24%)	14,060 (24%)
Cuts	6,790 (11%)	6,640 (11%)
Contusions	6,510 (11%)	6,060 (10%)
Fractures	4,010 (7%)	3,960 (7%)

*Data excludes health-care-only claims

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Accounting Change

In January 2005, the Canadian Accounting Standards Board introduced new standards that will require workers' compensation systems across Canada to change their investment accounting for annual financial statements. The WCB has adopted these standards for its fiscal year ending December 31, 2004.

The new standard – formally referred to as "fair value accounting," but also commonly called "market value accounting" – requires that dividends, interest, and realized and unrealized capital gains and losses be shown as income in the year. This will increase the fluctuation in the WCB's reported financial results, whereas the previous approach averaged realized and unrealized capital gains and losses over a five-year period, dampening the impact of market volatility.

According to generally accepted accounting principles (GAAP), the fair value of an asset is the amount at which that asset could be bought or sold in a current transaction, or the amount at which that liability could be settled. The rationale behind fair value accounting is to show what an asset is worth at the financial statement date.

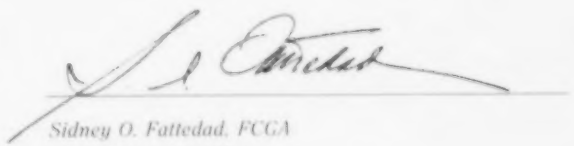
Fair value accounting provides a transparent measure of asset value on a given date. Year-over-year valuations under this approach provide a relative measure of gains or losses in value. On the other hand, the value of investments changes with market conditions and the value on any given day may be higher or lower than the day before. Changes in value based on two specific dates may not provide meaningful information for many purposes. Since WCB investments are intended to yield returns over the long run, any apparent year-over-year gains in asset value are not necessarily available to offset premium rates; similarly, any apparent losses year-over-year would not necessarily signal the need to increase premium rates. Therefore, responsible financial stewardship of the workers' compensation system requires a longer-term view and cautious response to annual fluctuations.

While the WCB has adopted fair value accounting policies for financial reporting purposes, we will continue to use smoothed basis investment accounting policies for our business operations and in determining funding policies. Smoothed basis investment accounting policies are based on a standard of practice established for all workers' compensation organizations in Canada by an independent study conducted in the early 1990s. This standard takes into account the unique business requirements of Canadian workers' compensation systems, including the need for pricing stability (for employer premium rates).

Recognizing unrealized gains and losses in the year in which they occur will affect the reported value of the Workers' Compensation Board's assets. In 2004, for example, the reported operating surplus for the year was $280 million under the market value approach versus $340 million under the smoothed method, while the reported fund balance at the end of 2004 was $372 million, compared to $88 million under the smoothed basis.

A more comprehensive explanation of fair value accounting is available in the background to the management commentary on the financial statements on page 42.

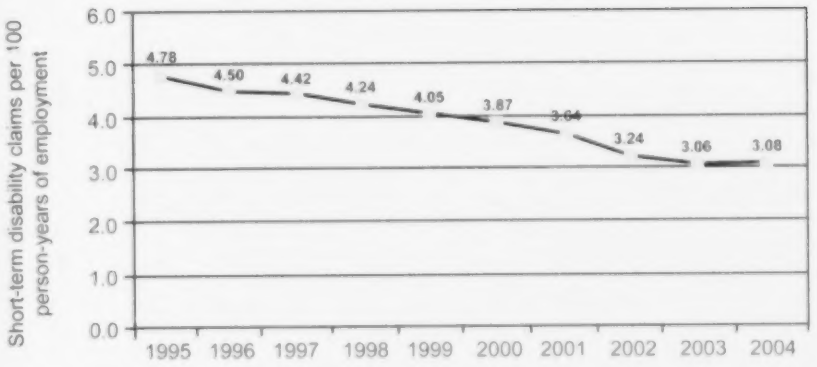
We will make every effort to ensure our employer and worker stakeholders understand this change and the impact on our annual financial reporting.



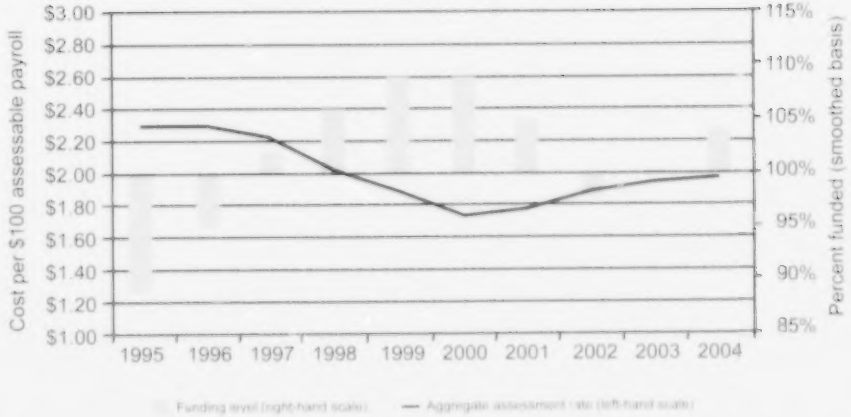
Sidney O. Fattedad, FCGA
Chief Financial Officer
Workers' Compensation Board of B.C.

Operational Highlights

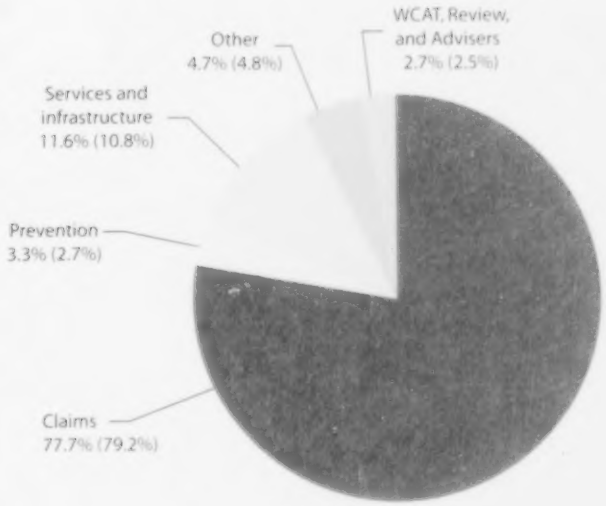
Injury rate



Assessment rate and funded ratio



Allocation of 2004 expenses (2003)



Key financial comparatives

$ in millions	2004 actual (fair value)	2004 actual (smoothed)	2004 plan (smoothed)	2003 actual
Premium income[1]	1,164	1,164	1,050	1,071
Investment income	456	516	491	496
Claim costs[2]	1,051	1,051	1,152	1,198
Operating and prevention costs (gross)[1]	289	289	289	290
Surplus from normal operations	280	340	100	79
Gains from non-recurring items	–	–	–	76
Total surplus from operations	280	340	100	155
Unrealized market value gains	390	–	–	–
Total comprehensive income	670	340	–	155
Total assets	9,851	8,961	8,780	8,480
Total liabilities	8,614	8,614	8,672	8,473
Unappropriated balance (unfunded liability)	372	88	(152)	(252)
Accumulated other comprehensive income	605	–	–	–
Market rate of return on investment	10.2%	10.2%	–	13.5%
Accounting rate of return on investment	–	6.4%	5.9%	6.4%
Percent funded	114.4%	104.0%	101.2%	100.1%

[1] Excludes injury-reduction initiatives
[2] Excludes capitalized claim administration costs

Message from the Chair

Two thousand and four was a significant year for the Workers' Compensation Board of British Columbia (WCB). We introduced a new long-term strategy to make the organization more responsive to the needs of workers and employers in B.C. We also restructured our operations to improve the quality and breadth of service offered to our stakeholders. These changes represent important milestones in our evolution, and we will continue to build on this momentum as we move forward.

Prevention remains job one

Despite recent changes, the WCB's first priority remains the same – the prevention of workplace injury, illness, and disease. Awareness and education play important roles in the prevention of workplace injury and disease. We believe this prevention focus has been a key factor in the consistent decline of the injury rate over the past 10 years. In 2004, we committed ourselves to a broader prevention focus: to create and sustain a culture of safety in B.C. where work-related death, injury, illness, and disease are not seen as inevitable or acceptable costs of doing business.

Our commitment to prevention was one of the factors that led to the creation of the Forest Safety Task Force. The task force, which I chaired, released its report in 2004 with recommendations to eliminate the high rate of injury and death in the forest industry. The Minister of Skills Development and Labour accepted all recommendations of the task force and the forest industry created the Forest Safety Council to enact those recommendations. The WCB is proud to have been part of this important safety initiative and we look forward to the success of the Forest Safety Council in creating a culture of safety in the forest sector.

In 2004, we also continued our collaboration with employers and workers to create industry-specific safety associations, including the Safety Network (in partnership with the B.C. Road Builders and Heavy Construction Association), which introduced a training and certification program for traffic control personnel. We supported a pilot Health and Safety Certificate of Recognition program for the oil and gas industry (in partnership with petroleum industry trade associations), and oversaw the commencement of the Faller Certification Program, which will help ensure that tree fallers receive essential health and safety training.

Industry safety associations and shared initiatives like these will assist the WCB and workplace parties in promoting the WorkSafe message, and will continue to play an important role in the creation of safe and healthy workplaces in the years to come.

Focusing on service

In 2004, the WCB worked hard to improve the level of compassionate and supportive service provided to the workers and employers of B.C. Our aim is to make each stakeholder interaction a positive one, so that we continually meet or exceed our stakeholders' expectations. During the year, we solicited feedback from workers and employers, listened to their concerns, and introduced a number of programs and initiatives to respond to their needs. We also continued to expand and improve our service options, and restructured our operations to make it easier for workers and employers to do business with the WCB.

Looking ahead

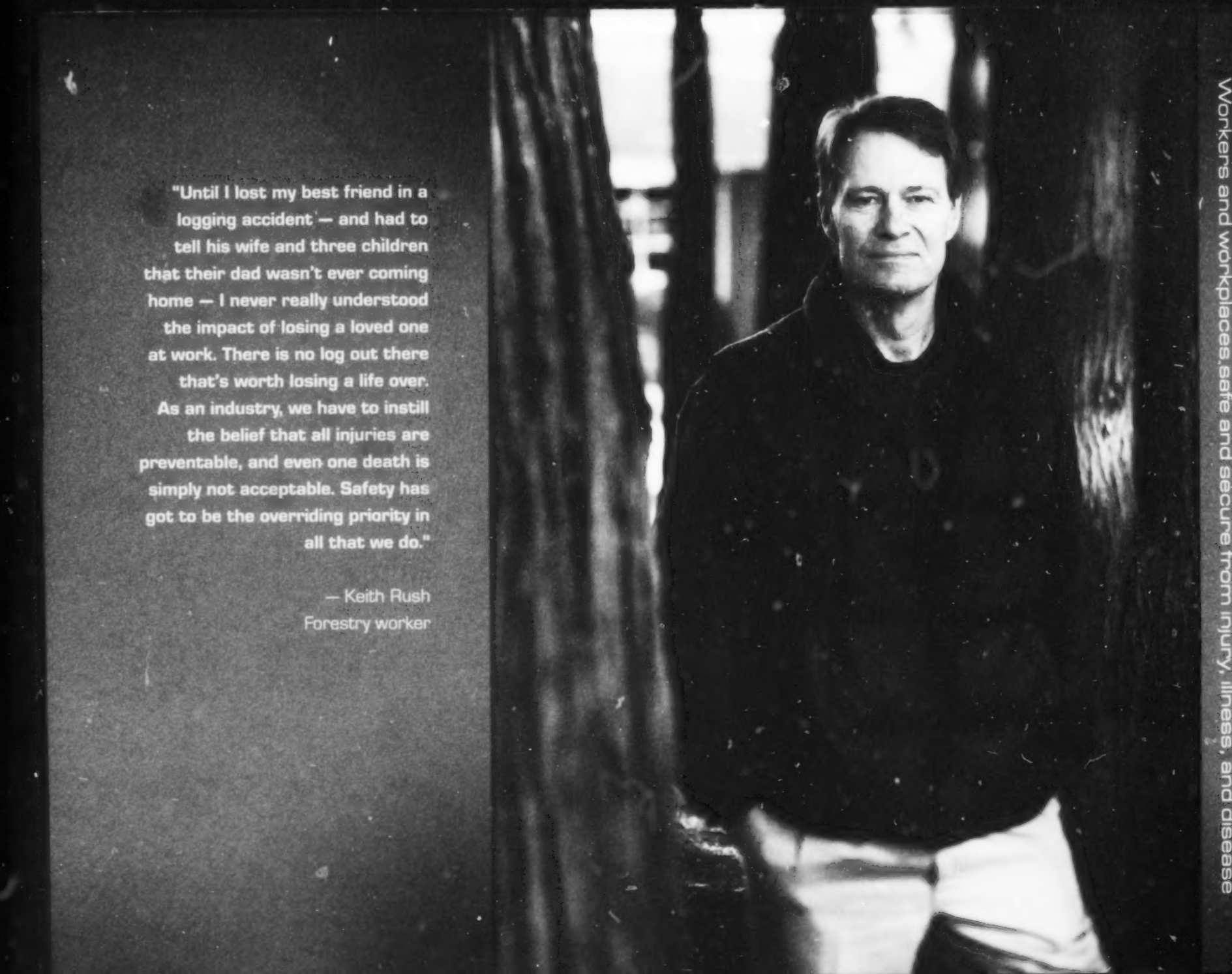
Since its appointment in 2002, the Board of Directors has examined the WCB's operational structure with an eye toward improvement. We will now shift our focus outward to the organization's relationship with workplace parties, including how we can work together to change societal attitudes and further reduce the incidence of death, injury, illness, and disease in B.C. workplaces.

In 2005, we will initiate a consultative process to build a better health and safety system in B.C. We will consult with WCB staff, workers, employers, and their associations about the present and future state of B.C.'s health and safety system and its ability to respond to emerging workplace risks, trends, and opportunities.

The Board of Directors is working to determine how the WCB can best deliver its mandate. This annual report and service plan provides on overview of where we are heading over the next three years.

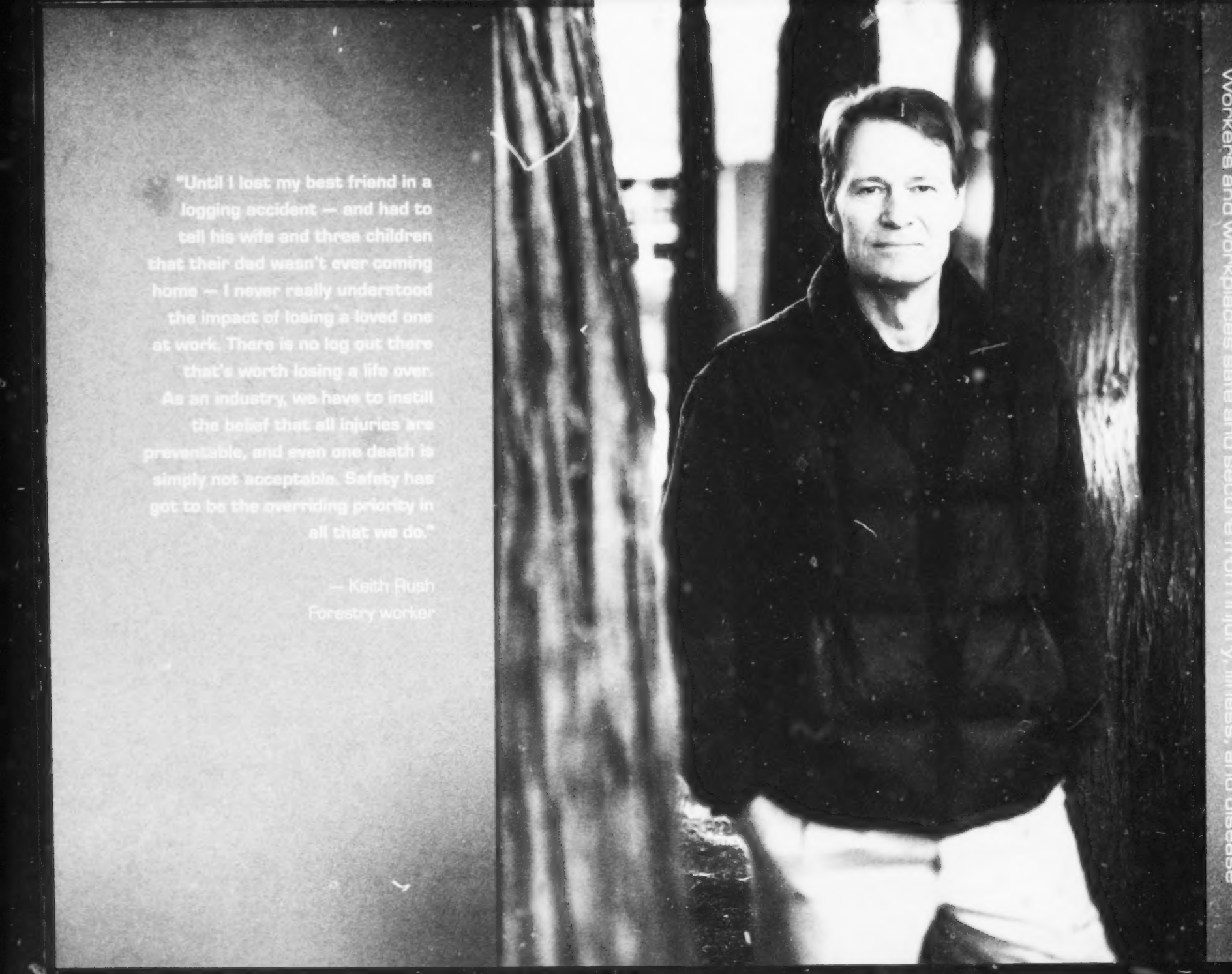
On behalf of the Board of Directors, I would like to thank our staff for their continued commitment to our shared goals and vision. I would also like to acknowledge the contribution of our stakeholders, the workers and employers of British Columbia, who play the most significant role in the creation of a culture of safety.

Douglas Enns, FCA
Chair
Workers' Compensation Board of B.C.



"Until I lost my best friend in a logging accident — and had to tell his wife and three children that their dad wasn't ever coming home — I never really understood the impact of losing a loved one at work. There is no log out there that's worth losing a life over. As an industry, we have to instill the belief that all injuries are preventable, and even one death is simply not acceptable. Safety has got to be the overriding priority in all that we do."

— Keith Rush
Forestry worker



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— Keith Rush
Forestry worker

Governance

WCB Board of Directors

The composition of the WCB Board of Directors, as laid out in legislation, ensures the public interest is given priority and that a balance of representation is provided from B.C.'s worker, employer, and health care/rehabilitation communities.

Douglas Enns, Chair	Public interest representative
Calvin Lee, Vice-Chair	Public interest representative
Terry Brown	Employer representative
Stephen Hunt	Worker representative
Roslyn Kunin	Public interest representative
Peter Morse	Actuary
Arlene Ward	Health care/rehabilitation professional

Duties

According to the *Workers Compensation Act*, the Board of Directors must:

- Set and revise as necessary the policies of the Board of Directors, including policies respecting compensation, assessment, rehabilitation, and occupational health and safety
- Set and supervise the direction of the WCB
- Select the president of the WCB and determine the president's functions
- Approve the operating and capital budgets of the WCB
- Establish policies and accounting systems to ensure adequate funding of the accident fund
- Approve major programs and expenditures of the WCB
- Approve the investment of funds of the WCB in accordance with the requirements imposed under the Act
- Plan for the future of the WCB
- Enact bylaws and pass resolutions for the conduct of the WCB's business and for the functions of the Board of Directors, including enacting bylaws respecting the manner in which the policies of the Board of Directors are to be published
- On or before March 31 of each year, provide the Minister of Skills Development and Labour with a service plan that addresses the three-year period starting on January 1 of that year, and does the following:
  - Sets out the WCB's priorities
  - Identifies specific objectives and performance measures for the WCB
  - Provides a fiscal forecast for the WCB, including a statement of all material assumptions and policy decisions underlying the forecast
  - Compares actual results of the previous year with the expected results identified in the previous year's service plan
  - Presents other information that the WCB considers appropriate

Activities

In 2004, the Board of Directors completed its first strategic planning process and approved the WCB's strategic plan. The Board recognizes that this is a living document that will be reviewed on an ongoing basis as the environment changes and new risks and opportunities emerge.

In the past year, the Board focused on anticipating and managing risks, identifying emerging trends and opportunities facing the workers' compensation system, and determining which measures need to be put in place to mitigate any negative impacts on worker health and safety. The Board of Directors also undertook its first annual governance and planning session, which involves ongoing monitoring of new governance requirements to ensure the Board is in compliance with contemporary governance practices and requirements.[1]

In 2004, the Board continued its outreach to employer and worker stakeholders by hosting a number

[1] The WCB's Internal Audit Department is of the opinion that the WCB was in compliance with the TSX Guidelines for effective corporate governance in 2004.

of stakeholder meetings, including a reception with community leaders in Nanaimo. The Board will visit a different community each year. In addition, the Chair of the Board of Directors hosted the first meeting of WCB Chairs from across Canada. This meeting was held in Victoria, British Columbia, and was followed by a second meeting of WCB Chairs in Toronto, Ontario. Members of the Board of Directors undertook professional development in 2004 and will continue to do so in 2005 to meet their ongoing developmental responsibilities as directors.

The Board of Directors met 12 times in 2004.

Committees

The Board of Directors may establish committees and give direction to those committees. Current Board committees are as follows:

- Audit Committee – met seven times in 2004
- Human Resources and Compensation Committee – met four times in 2004
- Priorities and Governance Committee – met five times in 2004
- Research Priorities Committee – met three times in 2004

Priorities

- Prevent injury and illness in the workplace
- Return workers to employability
- Serve employers, workers, and workers' dependants
- Develop partnerships to promote prevention and durable return to work
- Enhance decision making in prevention, compensation, and assessments
- Improve the cost-effectiveness of the services we deliver
- Maintain financial stability and sustainability
- Educate, engage, and communicate with our stakeholders

Standard of conduct

Section 84 of the *Workers Compensation Act* requires members of the Board of Directors to adhere to the following standard of conduct when exercising their powers and performing their functions and duties:

- Act honestly and in good faith
- Act with a view to the best interests and objectives of the workers' compensation system
- Exercise the care, diligence, and skill that a reasonably prudent individual would exercise in comparable circumstances
- Act in a financially responsible and accountable manner

In addition, directors are required to read, acknowledge, and agree to conduct themselves in accordance with detailed Code of Conduct and Conflict of Interest Guidelines upon appointment and each year as directors thereafter.

Decisions

Each month, the Board of Directors makes policy and regulation decisions that affect the workers and employers of British Columbia. The Board's decisions can affect the premium rates employers pay, or the level of benefits workers receive.

As part of its commitment to remaining open and accountable to its stakeholders and the general public, the WCB posts Board of Directors' decisions, along with the formal resolutions on its web site at www.worksafebc.com/law_and_policy/policy_decision/board_decisions/default.asp.

The WCB of B.C.: Adding Value Since 1917

Here are some landmark events in B.C.'s working history. Through all these changes and events, the WCB has strived to alleviate the hardship caused by injuries or death in the workplace.

Pre-1917 B.C.'s resource industries are growing strong, but they expose workers to dangerous working conditions – particularly in forestry, mining, and construction.

1917/1918 A coal dust explosion at Coal Creek Mines near Fernie results in 34 fatalities in 1917. The next year, 16 miners in a Nanaimo coal mine lose their lives when a hoist cable separates.

1918 The CPR steamship *Princess Sophia* runs aground on the rocks of Vanderbilt Reef off B.C.'s North Coast. In all, 343 people die, including 63 crew members.

1923 A disaster at a Cumberland coal mine takes the lives of 33 miners.

1930 Forty-five men perish in a coal mine accident at Blakeburn, near Princeton. That same year, a rock slide demolishes the bunkhouse at Anyox mine, killing nine men.

1958 Eighteen workers are killed during construction of the Second Narrows Bridge (now called the Ironworkers' Memorial Bridge) when sections of the bridge collapse into the inlet below. WCB-ordered life jackets save many lives.

1965 An avalanche occurs at Granduc Mine in B.C.'s North, claiming 26 lives.

1967 An explosion at the Natal coal mine kills 15 miners and injures 10.

1975 During a particularly deadly season, seven boats capsize and 13 B.C. fishermen die during the spring herring fishery.

1981 During construction of the Bentall Tower in downtown Vancouver, four workers plunge to their deaths when a fly-form collapses on the 36th floor.

1985 A number of boats are caught in a huge storm off the Queen Charlotte Islands in April during a halibut fishery. Three people die and many others are in peril.

2000 During the construction of the SkyTrain in Vancouver, an 18-year-old worker is killed and his co-worker seriously injured in a crane accident.

2002 The West Coast salmon fishing vessel Cap Rouge II capsizes at the mouth of the Fraser River, killing five of the seven people on board.

Today Occupational disease claims, which accounted for 13 percent of all fatality claims in 1984, have risen steadily over the past two decades – to 41 percent in 2003. The majority of occupational disease claims accepted by the Workers' Compensation Board are for deaths due to asbestos exposures that occurred 25 to 40 years ago. The number of asbestos-related deaths is expected to remain at current levels for the next 10 to 12 years.

Adding value beyond compensation

As well as providing benefits to injured workers and their families, the WCB is responsible for ensuring safe working conditions through inspection, incentives, education, and regulation enforcement.

Here are some examples:

- The Workmen's Compensation Board (the WCB's name until 1974) is created in 1917 and the *Workmen's Compensation Act* is passed. Approximately 6,000 employers register to cover 75,000 workers. The Act enshrines full medical aid provisions and control over accident prevention, giving B.C. the most comprehensive compensation system in North America.
- In 1936, the WCB begins to accept silicosis in the metal mining industry as a compensable disease. An annual medical examination of miners begins.
- The WCB sets up a silicosis prevention department in 1937 to control dust and improve ventilation in B.C. mines.
- In 1955, for the first time in history, optional compensation coverage is extended to B.C. fishermen.
- A Construction Industry Advisory Council is created following the Bentall Tower catastrophe of 1981. The council conducts an inquiry into construction industry safety and releases a report in 1982 that makes a number of recommendations that the WCB acts upon. This includes the introduction of new regulations that clarify the health and safety responsibilities of prime contractors on construction worksites and the introduction of hiring policies to ensure safety officers have industry-specific expertise and experience.
- The WCB takes a leadership role in partnering with industry associations to promote health and safety. The Farm and Ranch Safety and Health Association is founded in 1993, soon followed by the creation of other joint associations.

The WCB develops health and safety regulations for the agriculture industry – initially in 1993 when some of the health and safety issues are addressed, then more comprehensively in January 2005, when agriculture regulations are fully integrated into the Occupational Health and Safety Regulation.

In January 1995, the WCB recognizes the hazards and risks in the fishing industry when industry-specific regulations are put into effect for the fishing sector. These regulations are formally consolidated into the Occupational Health and Safety Regulation in 1998.

About one-third of all claims relate to ergonomic factors. In April 1998, the WCB takes a programmatic approach to controlling ergonomic risks in the workplace by formally capturing ergonomics in the Occupational Health and Safety Regulation.

The WCB breaks new ground in April 1998, when it introduces Canada's first regulations to control workplace exposure to environmental tobacco smoke.

To find industry solutions to address the high rate of injuries and fatalities in forestry, the WCB joins forces with a broad cross-section of leaders in the forest industry and government to launch the Forest Safety Task Force in 2004. This leads to the creation of the B.C. Forest Safety Council later that year.

WCB Ruling Saves Lives

New Workmen's Compensation Board Regulation saved the lives of an uncounted number of men at the Second Narrows Bridge Tuesday. On April 1 last year the Board issued a new regulation requiring all men working above water to wear life jackets or safety ropes.

The Vancouver Sun, June 18, 1958

Message from the President

I am pleased to report on the activities, achievements, and challenges of the Workers' Compensation Board in 2004. This past year, my first as president, has been a productive and important one for the WCB. In recent years we've worked to enhance our presence as a dynamic, customer-focused organization, and in 2004 we made significant progress toward accomplishing our WorkSafe mandate, vision, and mission.

Activities

In 2004, we developed a strategic plan and reorganized our business operations to better meet our goals and improve our service to stakeholders. We introduced an account management initiative, which enables us to deliver specialized service to our largest worker and employer partners. And we implemented industry segmentation, which involved assigning specialized teams to specific industry sectors, allowing our staff to develop expertise in the industries they serve.

We also continued to build partnerships to create industry-specific safety associations, and instituted a recognized quality assurance strategy using the National Quality Institute's standards for public sector excellence. And we implemented a three-year collective agreement with the Compensation Employees' Union that will provide stability in a period of continual change.

Achievements

We were successful in meeting or surpassing most of our performance targets in 2004. The injury rate remained essentially flat – following a 40 percent decline in the past decade. We exceeded our target to improve employers' rating of WCB service, worker satisfaction improved, our successful return-to-work rate for workers in vocational rehabilitation was higher than expected, and public confidence in the WCB reached an all-time high. These achievements were accomplished while our administration costs remained flat and the aggregate premium rate for employers remained stable.

In addition, the WCB's overall financial performance remains solid. At the close of 2004, the organization had a funded status of 104 percent – well within our funding policy target range of 90 to 110 percent.

We also continued to reach out to workers, employers, and the general public to help foster a culture of health and safety in B.C. workplaces. Initiatives like our young worker campaign and the annual Day of Mourning ceremony helped raise awareness of the importance of occupational health and safety in 2004. And for the first time, we included a WorkSafe float in a community parade (Vancouver's Rogers Santa Claus Parade) where we introduced WorkSafe Sam – a mascot that will help us deliver the WorkSafe message to a broader public audience.

Challenges

There were also challenges in 2004. While the injury rate remained stable, we are aware that increased economic activity in higher-risk industries such as forestry, construction, and oil and gas could have an impact on workplace safety in the future. The WCB will work closely with these industries to further improve the all-time low injury rates we've seen over the past decade.

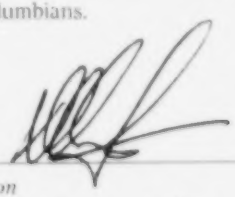
Although we met or surpassed most of our performance targets, we were unable to reduce short-term disability claim duration, a key cost indicator in the workers' compensation system. We improved the timeliness of initial short-term disability payments, but fell short of our target. And, while injured workers' rating of WCB overall service improved, we ended the year below our target. In 2005, we will undertake a number of programs and initiatives to improve performance in each of these areas.

Looking ahead

Near the end of 2004, the Board of Directors and the Senior Executive Committee introduced a multi-year strategic plan that will take the WCB into the future through five areas of strategic focus (see page 91). The strategic plan will guide decision making at all levels of the organization and will help us achieve our goals more effectively, while remaining responsive to the needs of our stakeholders.

Moving forward, all of us at the WCB remain committed to providing excellent service, to creating a culture of safety, and providing sound financial management of the workers' compensation system. These principles guide everything we do.

I would like to thank members of the Board of Directors for their dedication and stewardship, and to recognize the hard work and commitment of WCB staff. I'm proud to lead an organization that provides such an important service to workers, employers, and all British Columbians.



David Anderson
President and Chief Executive Officer
Workers' Compensation Board of B.C.

WCB Lines of Business

In 2004, the WCB undertook a significant internal reorganization following broad-based consultation with workers, employers, the public, government, and staff. From these consultations emerged two common themes: the need for the WCB to strengthen its commitment to service, and the need to remove operational silos that could impede those service improvements. The WCB's new organizational structure addresses these two issues and provides a framework that enables the WCB to better achieve its strategic goals. Under the new structure, resources, programs, and functional business teams have been redistributed more effectively and major lines of business are now shared between several operating divisions, rather than assigned to separate areas of the WCB.

What hasn't changed is the WCB's legislated responsibilities: to set and enforce occupational health and safety standards; compensate and rehabilitate injured, ill, and disabled workers, and provide benefits to their dependants; and assess and collect premium payments from employers to fund the workers' compensation system. To meet these and other responsibilities, and to realize its strategic goals, the WCB's daily operations remain centred on the following lines of business.

Preventing work-related injury and illness

The WCB's vision is simple: Workers and workplaces safe and secure from injury, illness, and disease. In support of this vision, the WCB establishes standards and guidelines for occupational health and safety practices, educates and consults with workplace stakeholders, raises awareness of workplace safety among the public, and builds strategic partnerships with industry safety associations, unions, and other key stakeholders to improve health and safety in B.C. workplaces. In addition, unlike most workers' compensation agencies which are often limited to an insurance function, the WCB has the legislative authority to conduct inspections to monitor compliance with occupational health and safety law and regulation, investigate serious incidents, and, in certain cases, levy financial penalties or other sanctions against employers for safety infractions.

The WCB's regulation-making powers, unique in Canada, allow the WCB to offer a broad-based solution for workplace health and safety and compensation issues. Through its education, consultation, inspection, and enforcement activities, and with the help of external stakeholders, the WCB is working to improve the health and safety of workers in B.C. And, by minimizing the social and economic costs of work-related accidents, the WCB is helping to enhance both the quality of life for all British Columbians and the competitiveness of British Columbia in the Canadian and world economies.

Compensating and rehabilitating injured workers

When work-related injuries or illnesses do occur, the WCB makes entitlement decisions on compensation benefits, and is responsible for administering health care and time-loss benefits, permanent disability benefits, and benefits for surviving dependants of workers who are killed on the job. The WCB also works with external partners to rehabilitate injured workers and return them to lasting employment in a safe and timely manner.

Maintaining the financial sustainability of the system

The WCB assesses and collects employer premiums and invests those funds to cover the current and future costs of compensation benefits and the costs of administering the workers' compensation system. The WCB is committed to the principles of sound financial management and has several programs and strategies in place to minimize costs, maximize investment returns, and maintain the long-term financial sustainability of the system.

Reviewing WCB decisions

To maintain accountability and provide quality control, the WCB provides impartial reviews of its compensation, assessment, and prevention-related decisions made under the *Workers Compensation Act*. During the review process, the WCB may overturn its initial decision if it is found to be incorrect or if new evidence comes to light. The internal review function helps the WCB improve the consistency, predictability, and quality of its decision making.

Supporting activities

The WCB conducts a variety of other activities in support of its strategic goals, including designing and implementing programs for improving internal efficiency, conducting investigations to limit the WCB's exposure to fraud, developing easy-to-use online services for external stakeholders, and reviewing and developing new policies and regulations to improve the overall functionality of the workers' compensation system. The WCB also supports organizational goals through professional development and training opportunities for staff, recruitment

strategies, and continued investment in information systems and other capital resources for increased productivity a..d improved business capacity.

Operating divisions

In moving away from a siloed business environment, the WCB's operating structure is now much more integrated, with the main divisions sharing cross-functional roles, responsibilities, and objectives.

Worker and Employer Services

This is the WCB's primary channel for front-line service to workers and employers. The division consists of integrated teams of prevention, claim adjudication, rehabilitation, assessment, and other WCB staff working together to enhance service.

Investigation and Review

This division is responsible for reviewing appealed WCB decisions made under the *Workers Compensation Act*, and conducting prevention- and claim-related investigations. The division also deals with formal complaints from external stakeholders and oversees internal security at the WCB.

Program Design

The Program Design Division is responsible for designing and administering a variety of program and service initiatives, including clinical and rehabilitation services, and vocational rehabilitation for injured workers. The division also develops formal partnerships with industry and labour stakeholders, and handles internal training and change management at the WCB.

Finance, Information Services, and Stakeholder Relations

This division is primarily responsible for managing the WCB's financial assets, conducting various communications and stakeholder-relations activities, and developing and maintaining the WCB's information systems.

Policy and Research

This area acts as a corporate strategic resource that works to develop policy, regulation, and research, enabling the WCB to better realize its strategic vision and goals. The division also provides advice and services to external stakeholder groups and the general public.

Human Resources and Facilities

This division provides WCB staff with programs, services, and assets to foster a positive work environment and help ensure the ongoing success of the organization.

Accountability Statement

The *2004 Annual Report and 2005–2007 Service Plan* was prepared under our direction in accordance with the *Workers Compensation Act*. We are accountable for the results achieved, for the selection of performance measures, and for how our performance has been reported. The information contained within reflects the actual performance of the Workers' Compensation Board for the 12 months beginning January 1, 2004 and ending December 31, 2004. All material fiscal assumptions and policy decisions up to March 11, 2005 have been considered in the development of this publication.

This annual report and service plan presents a comprehensive picture of our actual performance against targets set in the *2003 Annual Report and 2004–2006 Service Plan*, and includes estimates and significant interpretive information that represent the best judgment of WCB management. The measures reported on are consistent with the organization's mission, goals, and objectives and focus on aspects critical to understanding the WCB's performance.

We are responsible for ensuring that the WCB's performance information is measured accurately and in a timely manner. Any significant limitations in the reliability of the performance data have been identified and explained within.

This report and service plan has been prepared in accordance with the B.C. Performance Reporting Principles and is intended for a general audience. More detailed information about the WCB is available on our web site at **www.worksafebc.com**.

Douglas Enns, FCA
Chair
Workers' Compensation Board of B.C.

David Anderson
President and Chief Executive Officer
Workers' Compensation Board of B.C.

Report of the Auditor General of British Columbia

To the Board of Directors, the Workers' Compensation Board of British Columbia

To the Minister of Skills Development and Labour, Province of British Columbia

I have audited the "2004 Annual Report and 2005–2007 Service Plan" (the Annual Report) of the Workers' Compensation Board (the WCB) to assess whether the WCB's performance has been fairly presented in accordance with the BC Reporting Principles for the year ended December 31, 2004. The eight BC Reporting Principles outline the characteristics of good performance reporting, and have been endorsed by the Legislative Assembly's Select Standing Committee on Public Accounts for use by public sector organizations in British Columbia. This Annual Report is the responsibility of the WCB's management. My responsibility is to express an opinion on this Annual Report based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Accordingly, I planned and performed an audit to obtain reasonable assurance whether the BC Reporting Principles have been incorporated in the Annual Report as a whole, except as explained in the following paragraph. My audit included examining, on a test basis, evidence supporting the amounts and disclosures in the Annual Report and assessing significant estimates underlying reported performance.

I have audited the entire Annual Report to assess whether the information required by the BC Reporting Principles has been included, and whether this information fulfills the attributes of consistency, fairness, relevance, verifiability, understandability and timeliness. However, with respect to the attribute of reliability, I have audited only the key performance indicators described and summarized in the "Our Performance" section, on pages 19 to 39, as well as the information contained in the WCB's financial statements, which are set out on pages 52 to 74 and for which my audit opinion is provided separately. Consequently, I do not express an opinion concerning the attribute of reliability of information beyond these pages.

Also, as called for by the BC Reporting Principles, the Annual Report contains a number of representations from management concerning the appropriateness of the goals, objectives and targets established by the WCB, explanations of the adequacy of planned and actual performance and expectations for the future. Such representations are the opinions of management, and inherently cannot be subject to independent verification. Therefore, my examination was limited to ensuring the report contains those representations called for by the BC Reporting Principles and that they are consistent with the audited key performance indicators and financial statements.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I performed a more extensive audit of reliability as referred to in the third paragraph above, this Annual Report fairly presents, in all significant respects, the performance of the Workers' Compensation Board for the year ended December 31, 2004, in accordance with the BC Reporting Principles. The appendix on page 17 contains details supporting my conclusion for each of the BC Reporting Principles, and is an integral part of my opinion.

Wayne Strelioff

Wayne Strelioff, FCA
Auditor General

Victoria, British Columbia
March 11, 2005

Appendix to the Report of the Auditor General of British Columbia on the Workers' Compensation Board of British Columbia's 2004 Annual Report

Detailed Observations – Principle 1
Explain the Public Purpose Served

The report explains the WCB's public purpose, enabling legislation and mission. Core business areas, services, clients and stakeholders are described, as is the role of partners. The report explains the WCB's governance structure and external accountabilities. The report outlines the WCB's values that guide its service delivery (guiding principles and premises).

Detailed Observations – Principle 2
Link Goals and Results

The report explains the chain of events from mission to goals, objectives and strategies through to performance measures. The relevance of these measures is explained in the context of the WCB's goals and objectives, and in relation to issues of concern to an external audience (the public and legislators). Performance measurement focuses on outcomes in the short and long term, explaining how short-term achievements impact long-term results. Variances between planned and actual results are explained and related to expectations, and plans, for the future.

Detailed Observations – Principle 3
Focus on the Few, Critical Aspects of Performance

The report states why goals, objectives and 11 key measures are important to the WCB and to an external reader. The performance information provides a clear and concise performance story. Key results are clear and readily apparent, and the report links to the government's strategic plan.

Detailed Observations – Principle 4
Relate Results to Risk and Capacity

The report summarizes key risks and capacity issues in relation to each performance measure, their impact on results and strategies for dealing with them in the future. Issues related to organization-wide financial, infrastructure and technology risks and capacity are discussed separately.

Detailed Observations – Principle 5
Link Resources, Strategies and Results

Revenue and expense variances are described as part of a management's commentary on the financial statements. Costs are related to key activity areas. Planned and actual costs are provided for key revenue and expense items, and 10-year trend information is provided for revenues and expenses. Critical measures of efficiency are identified – administrative efficiency is the focus of one key performance indicator, and operational financial performance is the focus of another.

Detailed Observations – Principle 6
Provide Comparative Information

Actual performance is clearly reported in relation to the service plan. Current performance is graphically related to historic trends, and related to relevant industry benchmarks. Inconsistencies in trend data are fully explained, and future performance targets are explained in the context of current performance.

Detailed Observations – Principle 7
Present Credible Information, Fairly Interpreted

We are providing a high level of assurance that the data supporting the 11 key performance indicators is reliable. Although we do not provide assurance on the effectiveness of the related control environment, systems to compile performance indicator data have been established and documented. We noted some opportunities to improve controls in the systems supporting these indicators, but this did not impact on reported results. The report is reasonably concise and specialized terminology has been avoided. The report has been issued in accordance with statutory reporting deadlines.

Detailed Observations – Principle 8
Disclose the Basis for Key Reporting Judgments

The report provides concise explanations for how measures are derived and the period to which data relates. The Board Chair and the CEO have affirmed their ownership of the report, and their responsibility for ensuring the accuracy and timeliness of performance information. The report explains the importance and relevance of goals, objectives, and it discusses how targets are selected.

Our Performance

Measuring Our Performance

In 2004, the WCB underwent significant reorganization to enhance service and improve operational efficiency. The reorganization resulted in a number of major changes to the WCB's business processes and overall service delivery model, but the underlying strategic goals of the organization remain the same:[1]

1. To foster the improvement of occupational health and safety in workplaces
2. To improve service to stakeholders
   a. Improve satisfaction, accessibility, and public confidence
   b. Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation
3. To improve cost-effectiveness and accountability of the services we deliver
4. To maintain financial sustainability and stability

To measure performance against each goal, the WCB has developed a set of objectives and associated key performance indicators that allow the WCB to track and benchmark progress over time, identify areas of strength and weakness, and help gauge the extent to which the organization is meeting stakeholder needs. These objectives and performance indicators guide planning and decision making at all levels of the organization and, through the annual reporting process, help the WCB remain open and accountable to the people of British Columbia.

Although there are a number of objectives and key performance indicators used by the WCB, the following 11 have been chosen by the Board of Directors and the Senior Executive Committee as those most crucial to the fulfillment of the WCB's strategic goals.

Objective	Performance indicator
1. Reduce the provincial injury rate	Injury rate (accepted short-term disability claims per 100 person-years of employment)
2. Reduce the average short-term claim duration	Average number of days lost from work and subsequent time-loss benefits paid by the WCB per short-term disability claim
3. Improve return-to-work outcomes for workers in vocational rehabilitation	Successful return-to-work outcomes as a percentage of all claims referred to Vocational Rehabilitation Services
4. Improve timeliness of initial short-term disability payments	Number of days it takes the WCB to get short-term disability payments to injured workers from their date of disablement
5. Improve injured workers' rating of overall service	Survey results: injured workers' rating of service
6. Improve employers' rating of overall service	Survey results: employers' rating of service
7. Raise public confidence	Public contribution index (as measured by the Ipsos-Reid polling company)
8. Achieve an accident fund ratio, including reserves, in the range of 90 to 110 percent	Value of the accident fund against liabilities
9. Attain an aggregate premium rate between $1.75 and $2.25 (per $100 of assessable payroll)	Aggregate base rate of employer premiums
10. Improve administration costs	Annual administration costs per $100 of assessable payroll collected from employers
11. Improve decision making throughout the WCB, ensuring consistency with the legislation and policy	Proportion of issues leading to decision changes as a result of legal and/or policy errors (Review Division and WCAT levels)

[1] These four goals were established by the WCB's Board of Directors and Senior Executive Committee in 2002 and are [illegible]xed to the WCB's mission, vision, values, and priorities.

These 11 key performance indicators reflect the WCB's commitment to balanced scorecard reporting, which incorporates both financial and non-financial factors crucial to the fulfillment of the WCB's mandate, mission, and vision. By looking beyond purely financial measures of success,[1] the WCB is able to build a more comprehensive picture of performance across a wide range of business areas, and use that information to help drive change and enhance business operations.

Each performance indicator (along with additional measures used at the corporate and divisional levels) is monitored and assessed continuously throughout the year to track progress toward targeted goals. Most are updated on a monthly or quarterly basis, which allows the WCB to react and adjust to changes quickly. Where progress is not satisfactory, the Board of Directors and senior management seek to determine reasons why and make corrective policy, program, or operational changes to get the WCB back on target.

For more information about the WCB's objectives and performance measures, refer to Appendix A.

Changes from the previous year

The 11 performance indicators selected for this year's annual report and service plan are a continuation of those contained in the 2003 annual report and service plan, though in some cases there have been changes to the calculation methodology and/or the way in which the data is collected. In addition, some of the 2003 results and 2004 targets published in last year's annual report and service plan were changed after the publication date due to the inclusion of new data and/or refinement of calculation results. All such changes are noted and explained throughout the performance measurement section of this report (pages 19 through 39).

Comparing with other jurisdictions

It is difficult to make direct comparisons between the WCB's performance results and the results from other Canadian workers' compensation organizations, largely due to the differing legal requirements, policies, goals and objectives, governing structures, and operating procedures within each jurisdiction. Because of these differences, there is little consistency in the type of performance data collected, analyzed, and reported by each organization.

To help overcome this gap, the Association of Workers' Compensation Boards of Canada (AWCBC) compiles a set of standardized financial and statistical indicators using data collected from all Canadian jurisdictions. Although most of the AWCBC's performance indicators are not directly related to the WCB's, many are similar enough to provide rough comparisons of performance.

For more information about these comparisons, refer to Appendix C.

Setting annual targets

In setting annual targets for each key performance indicator, the WCB considers several factors, including historical performance, desired levels of service, operational requirements, and resources available for reaching short- and long-term goals. The WCB also considers environmental and external factors that may affect performance and the potential to mitigate or control those factors through various programs and initiatives (see Appendix D). For more information about how the WCB sets its targets for each individual measure, refer to Appendix C.

[1] Although many of the 11 performance indicators are not financial measures in the traditional sense, almost all have financial implications for the WCB. Short-term claim duration and return-to-work outcomes, for example, are extremely important financial drivers for the workers' compensation system.

Origins of 2004 performance indicators

Priorities of the Board of Directors

- Prevent injury and illness in the workplace
- Return workers to employability
- Serve employers, workers, and workers' dependants
- Develop partnerships in prevention and durable return to work
- Enhance decision making in prevention, compensation, and assessments
- Improve the cost-effectiveness of the services we deliver
- Maintain financial stability and sustainability
- Educate, engage, and communicate with our stakeholders

Goals	Objectives	Indicators
Goal 1: Foster the improvement of occupational health and safety in workplaces	Reduce the provincial injury rate	Injury rate (accepted short-term disability claims per 100 person-years of employment) Pg. 23
Goal 2a: Improve satisfaction, accessibility, and public confidence	Improve injured workers' rating of overall service	Survey results: injured workers' rating of service Pg. 30
	Improve employers' rating of overall service	Survey results: employers' rating of service Pg. 32
	Raise public confidence	Ipsos-Reid public contribution index Pg. 33
	Reduce the average short-term claim duration	The average number of days lost from work and subsequent time-loss benefits paid by the WCB per short-term disability claim Pg. 26
	Improve return-to-work outcomes for workers in vocational rehabilitation	Successful return-to-work outcomes as a percentage of all claims referred to Vocational Rehabilitation Services Pg. 27
	Improve timeliness of initial short-term disability payments	The number of days it takes the WCB to get first time-loss payments to short-term disability claimants from the date of their disablement Pg. 29
Goal 2b: Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation and policy	Improve decision making throughout the WCB, ensuring consistency with the legislation and policy	The proportion of issues leading to decision changes as a result of legal and/or policy errors (Review Division and WCAT levels) Pg. 38
Goal 3: Improve cost effectiveness and accountability of the services we deliver	Improve administration costs	Annual administration costs per $100 of assessable payroll collected from employers Pg. 37
Goal 4: Maintain financial sustainability and stability	Achieve an accident fund ratio, including reserves, in the range of 90 to 110 percent	The value of the accident fund against liabilities Pg. 34
	Attain an aggregate premium rate between $1.75 and $2.25 per $100 of assessable payroll	Aggregate premium rate Pg. 35

Performance targets and results at a glance

Key objective/performance indicator	2004 target	2004 result	2005 target	2006 target	2007 target
1. Reduce the provincial injury rate (the number of short-term disability claims accepted by the WCB per 100 person-years of employment)	3.00 or less	3.08	3.04 or less	3.00 or less	2.90 or less
2. Reduce the average short-term claim duration	46.5 days	48.1 days	47.7 days	47.2 days	46.7 days
3. Improve return-to-work outcomes for workers in vocational rehabilitation	66.0%	67.8%	69.0%	70.0%	70.0%
4. Improve timeliness of initial short-term disability payments	17.0 days	18.3 days	17.5 days	17.0 days	16.0 days
5. Improve injured workers' rating of overall service (10-point scale)	7.9	7.8	8.0	8.1	8.2
6. Improve employers' rating of overall service (10-point scale)	7.9	8.2	8.2	8.3	8.3
7. Raise public confidence	73% positive	74% positive	77% positive	78% positive	78% positive
8. Achieve an accident fund ratio, including reserves, in the range of 90 to 110 percent	101%	104%	105%	106%	107%
9. Attain an aggregate premium rate between $1.75 and $2.25 (per $100 of assessable payroll)[1]	$2.06 ($1.91 after surplus and transition)	$2.13 ($1.96 after transition and surplus)	$1.97 ($1.87 after transition and surplus)	$1.90	$1.89
10. Improve administration costs (per $100 of assessable payroll)	$0.36	$0.36	$0.36	$0.35	$0.33
11. Improve decision making throughout the WCB, ensuring consistency with the legislation and policy (proportion of issues leading to overturned decisions at the review and/or appeal level due to WCB error in law or policy)	Review level: 7.0% Appeal level: Less than 3.5%	Review level: 3.8% Appeal level: 2.7%	Review level: 4.5% Appeal level: Less than 2.5%	Review level: 4.5% Appeal level: Less than 2.0%	Review level: 4.5% Appeal level: Less than 2.0%

[1] For important information concerning the average premium rate, including a historical summary of the published base premium rate and actual final collected rate, refer to page 77.

Key objective/performance indicator #1

Reduce the provincial injury rate

Importance

The WCB is dedicated to working with its partners to achieve its vision of workers and workplaces safe and secure from injury, illness, and disease. The primary indicator of success in this area is the provincial injury rate, which is measured by the number of short-term disability claims first accepted by the WCB per 100 person-years of employment.[2] The lower the rate, the lower the economic costs and the fewer the people who suffer due to work-related causes. A reduction in the injury rate of 1 percent, for example, translates to approximately 600 fewer workers who suffer a time-loss injury, $9 million less in claim costs paid, and approximately 27,000 productive work days gained to the economy.

Performance highlights

In 2004, the injury rate remained essentially flat, rising 0.7 percent to 3.08 short-term disability claims per 100 person-years of employment. This result was slightly higher than the WCB's target of 3.00, and 0.02 points higher than the 2003 rate of 3.06,[3] but still 40 percent lower than in 1994 when the rate was 5.15.[4]

There was a slight rise in the injury rate among industry sectors such as metal products manufacturing, general construction, and warehousing, but these pressures were predominantly offset by injury rate declines in other areas.

Major programs and strategies

Near the end of 2004, the WCB revised its prevention delivery model as part of a larger initiative to provide better service to employers and workers. As part of the changes, the majority of WCB prevention officers were assigned to specialized teams focusing on specific industry sectors or, in some instances, a single large employer. Over time, it is expected that this new arrangement will contribute to a lower injury rate, because prevention officers will develop specialized knowledge and expertise, which should lead to more effective education, consultation, and enforcement activities.

Other programs and initiatives undertaken during the year to reduce the incidence of work-related injury, illness, disease, and death, include:

Focusing on high-risk sectors – To ensure the most effective use of its resources, the WCB focuses the majority of its education and enforcement field activities in the industry sectors where workers face the greatest risk of injury and/or illness.

Working with small business – The vast majority of businesses registered with the WCB are small (20 workers or less), and they account for approximately one-third of all short-term claims. To help address their unique health and safety concerns, the WCB works with external partners to develop materials, tools, and services designed specifically for workers and employers in the small business sector.

[1] The historical trend data in this chart is unaudited and provided for the convenience of the reader in keeping with the *BC Reporting Principles*.

[2] To estimate the 2004 injury rate early in 2005, the WCB assumes that the increase in all B.C. employment in 2004, as reported by Statistics Canada, is a reasonable proxy for the increase in WCB-covered B.C. employment. The WCB also assumes that the number of injuries that occurred in 2004 and will be accepted in February and March of 2005, as a percentage of the number of injuries that occurred in 2004 and were accepted in 2004 or in January 2005, is the same as the corresponding percentage for injuries that occurred in 2003. In the past, the overall injury rate estimate has been accurate to one decimal.

[3] The 2003 injury rate result is different from the rate published in the 2003 annual report and service plan due to a realignment calculation made after the publication date.

[4] When adjusted for comparison on an approximate basis, the injury rate has been declining since 1980 when it was 7.6 (approximate basis). Shifts in industry mix have accounted for some of this decline; but in real terms, the rate has still fallen by about half since 1980.

Reaching out to young workers – Young workers aged 15 to 24 are at a higher risk of injury than workers in any other age group province-wide. In order to provide this group with the information it needs to stay safe and healthy on the job, the WCB conducts a diverse range of initiatives involving employers, labour groups, parents, educators, and young workers themselves.

Partnering with focus firms – Through its Focus Firm Strategy, the WCB identifies firms that are experiencing exceptionally high injury rates and/or a significant volume of claims, and partners with those firms to develop and implement a focused plan for injury and illness reduction.

Building industry partnerships – The WCB is committed to forging strategic partnerships within key industries and labour groups in order to strengthen their commitment and capacity to address occupational health and safety issues and help return injured workers to safe and healthy employment. The WCB has helped establish nine safety associations in areas such as forestry, construction, and agriculture, and has launched several large industry-sponsored safety initiatives that have the potential to develop into full-fledged safety associations further down the road.

Targeting serious injuries – In 2004, the WCB introduced a new serious-injury prevention program aimed at industries and classification units with the highest rates of serious injury. Still in the early stages of rollout, the program aims to identify and communicate the root causes of serious injuries to workers and employers, and provide prevention support.

Sharing lessons learned – During the year, the WCB launched a new Lessons Learned project, which is a coordinated communications and education strategy aimed at sharing the causes of serious injury incidents and work-related fatalities with workers, employers, and the public. The goal is to provide timely and comprehensive information to key stakeholders in order to prevent a repeat of similar incidents.

Looking ahead

In 2005, the WCB's goal is to lower the injury rate to 3.04 or less, and by 2007 the WCB is aiming to push the rate down even further to 2.90 or less. But this change cannot be achieved by the WCB alone. It will take the continued efforts of workers, employers, unions, business and labour groups, as well as other key stakeholders all working together to make B.C. workplaces safer and healthier.

The continued growth of B.C.'s population, economy, and workforce will not automatically translate into an increased injury rate. But a shift in the industrial mix (a disproportionate increase in construction activity, for example) could put upward pressure on the overall injury rate, even if the rate remains steady or falls for all industry sectors.

To address this challenge, the WCB will continue to monitor and analyze economic trends and work to reduce the risk of injury and illness in fast-growing high-risk industry sectors. The construction industry, for example, saw record growth in 2004 and this trend is expected to continue as the province gears up for the 2010 Winter Olympics. To help reduce the risk of injury and illness during this period of expansion, the WCB has assigned a dedicated group of staff to the construction industry to support its needs and deliver targeted prevention strategies in partnership with key construction stakeholders.

To further mitigate the risks of a rising injury rate, the WCB will continue to refine its new industry-aligned prevention strategy and increase its education and enforcement activities in industries that have disproportionately higher injury rates than the provincial average. The overarching focus will be on engaging workers and employers and empowering them to take increased ownership of their own unique health and safety issues.

In 2005, the WCB will look to expand its Certificate of Recognition program, which involves partnering with industry and labour associations to deliver certified safety training, and offering financial incentives to firms that complete the training and/or successfully undergo audits of their existing occupational health and safety programs.

The WCB will also undertake a number of new communication and education initiatives designed to reach out to the public in new ways and encourage positive social and cultural change so that, over time, workplace health and safety becomes of primary and vital concern to all British Columbians.

"I was young, working at a pizzeria, when I had a serious accident and lost three fingers in a machine. I still have nightmares about it. I should have been trained better. Now I want every young worker to know that accidents like mine are preventable. It's important for me to share my story. If you don't know your rights, you can get into danger. I learned about safety the hard way. Others don't have to."

— Jennifer Fourchalk
Injured worker

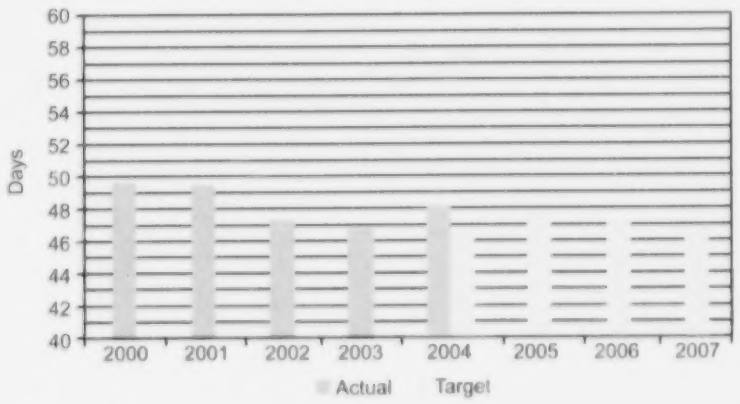
"I was young, working at a pizzeria, when I had a serious accident and lost three fingers in a machine. I still have nightmares about it. I should have been trained better. Now I want every young worker to know that accidents like mine are preventable. It's important for me to share my story. If you don't know your rights, you can get into danger. I learned about safety the hard way. Others don't have to."

— Jennifer Fourchalk
Injured worker

Key objective/performance indicator #2

Reduce the average short-term claim duration

Average short-term claim duration[1]



Importance

The average short-term claim duration is the average number of days lost from work, as measured by time-loss benefits paid by the WCB, per short-term disability claim.[2] The longer it takes to resolve the claim, the higher the costs to the system and the less likely it is that the worker will ever return to work. To address these issues, the WCB works with injured workers, employers, health care providers, and other key stakeholders to help minimize the average duration and ensure that claims are resolved in a safe and timely manner.

Performance highlights

In 2004, the average short-term claim duration was 48.1 days, which was up 2.8 percent from 46.8 days in 2003,[3] and was 1.6 days longer than the WCB's 2004 target of 46.5 days. This is the first time since 1999 that the average short-term claim duration has risen.

The increase in short-term claim duration was partially attributable to a higher volume of time-loss claims accepted by the WCB while claim processing capacity remained stable, thus resulting in a greater workload for WCB staff and subsequently impacting timeliness of adjudication and the overall duration of short-term disability claims.[4] Other factors included continuing organizational restructuring, which affected the overall efficiency of claim processing and management, and the timeliness of issues being sent back to WCB staff from the appeal bodies for clarification and re-examination.

Under the former appeal system, reviews of appealed decisions took much longer to resolve and there was less interaction between the appeal bodies and WCB staff. Now that issues are being brought back to WCB staff in a more timely manner, it has increased the workload of WCB adjudication staff, which has negatively impacted overall short-term claim duration. The increased timeliness of decision making at the review and appeal levels also contributed to a higher number of time-loss days paid in 2004 for injuries that occurred in 2003, which put upward pressure on the overall short-term claim duration.[5]

Major programs and strategies

In 2004, the WCB rolled out a new service delivery structure that involved creating specialized teams of claim staff and other WCB employees aligned to specific industry sectors. Over time, these teams will become increasingly knowledgeable about the industries they represent. Team expertise should grow across all functional areas, including claim processing, injury compensation, disability management, and return to work, which should have a positive impact on overall claim duration.

[1] The historical trend data in this chart is unaudited and provided for the convenience of the reader in keeping with the *BC Reporting Principles*.

[2] To compute short-term disability (STD) duration for a given year, five components are calculated and added together, including (1) the number of days paid in the reference year for short-term disability injuries that occurred in the reference year, divided by the number of STD injuries that occurred in the reference year; and (2) the number of days paid in the reference year for STD injuries that occurred in the year prior to the reference year, divided by the number of STD injuries that occurred in the year prior to the reference year. The third, fourth, and fifth components are computed analogously. An adjustment is made to the sum of the five components in respect of days paid in the reference year for injuries that occurred more than four years prior to the reference year. Days arising from short-term disability payments are included in the calculation; days arising from rehabilitation payments are excluded.

[3] The 2003 average short-term claim duration result and 2004 target were adjusted after the publication of last year's annual report and service plan due to measurement improvements that were made during the course of this year. In calculating the average short-term claim duration, the WCB now uses improved source data. All historical results have been restated to be consistent with this change.

[4] In total there were 970 more claims accepted in 2004 than in 2003. Accepted health-care-only claims were down by 356, accepted long-term disability claims were down by 652, accepted fatal claims were down by 36, but short-term disability claims were up by 2,014 in 2004.

[5] Short-term claim duration includes days paid on claims that are accepted after review or appeal. Because review and appeal decisions were made in a more timely fashion in 2004, there were more claims accepted in the year after the injury. Previously, appeals took longer to resolve so claims were sometimes not accepted until three or four years after the original injury year. Year-to-year changes in the timeliness of appeals have the effect of lowering short-term claim duration in some years and increasing it in others. The increase in review and appeal timeliness in 2004 is estimated to have increased the average short-term claim duration by about a half day.

During the year, the WCB also continued to provide timely rehabilitation, counselling, and return-to-work services as early as possible in the claim process. The underlying goals of the WCB's early intervention strategy are to help injured workers return to work as soon as it is safely possible and protect their health and well-being throughout the entire claim process. Cases expected to last more than four to six weeks, and/or where it may be difficult for the worker to return to work, are assigned to specialized case management teams. These teams work with injured workers, their families, health care providers, and other partners to design and facilitate a customized early treatment and return-to-work plan.

In bringing claims to a safe and timely resolution, the WCB also relies on accredited external health care providers to diagnose and treat workers and aid in their rehabilitation. The WCB works closely with the medical community to share information and research, consult on the diagnosis and treatment of injuries and illnesses, plan for successful rehabilitation, and establish generally agreed upon recovery timelines. When necessary, the WCB also arranges expedited medical services for workers who would otherwise be subjected to lengthy waiting lists in the provincial health care system.

During the course of the year, the WCB also created a new specialized brain injury group in response to a greater than expected influx of brain injury claims. These claims are typically among the most complex the WCB sees, and they have a high potential for long duration, acute costs, and lower return-to-work outcomes. The specialized team will help improve the WCB's diagnoses, prognoses, and treatment of brain injury claims, which should lead to improved return-to-work outcomes and reduced claim duration.

Looking ahead

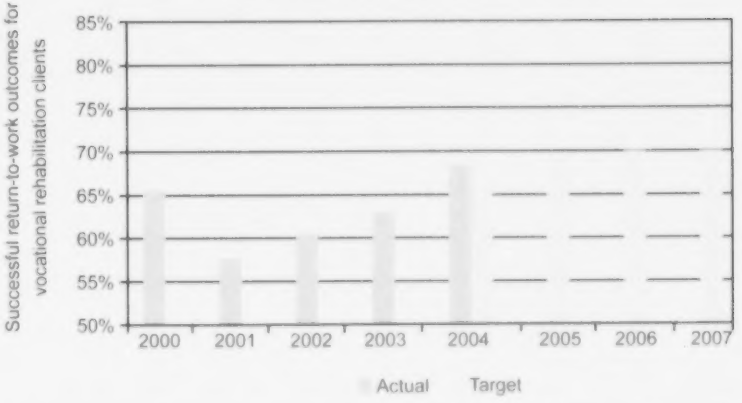
In 2005, the WCB is aiming to reduce average short-term claim duration to 47.7 days, and by 2007 the goal is to reduce duration to 46.7 days or less. To reach its targets, the WCB will continue to focus on rehabilitation and return-to-work planning early in the claim process. Also, after two consecutive years of major organizational change, the WCB's structure and service delivery model will begin to stabilize in 2005, which should contribute to improved efficiency and lower claim duration.

The major external factor that will affect average short-term claim duration is the general mix of claims accepted by the WCB each year (in terms of gender, age, and types of injuries). In recent years, the claim mix remained relatively stable, but future changes in the mix could put upward pressure on average short-term claim duration. To help address this risk, the WCB will be increasing its prevention activities in industry sectors that are experiencing a higher-than-average rate of serious injury, which is a key component of the claim mix that affects short-term claim duration.

Key objective/performance indicator #3

Improve return-to-work outcomes for workers in vocational rehabilitation

Successful return-to-work outcomes*[1]



** A return-to-work outcome is counted as successful if the injured worker is employed at the time his or her case is closed by a vocational rehabilitation consultant.*

Importance

Research and practical experience show that the longer an injured worker is away from work, the less likely it is that he or she will ever return to employment. That is why the WCB works to rehabilitate injured workers and help them return to work as soon as they safely can. It is better for the worker, better for the employer, and more cost-effective for the entire workers' compensation system.

Most injured workers are able to return to work following recovery and rehabilitation, but some with

[1] The historical trend data in this chart is unaudited and provided for the convenience of the reader in keeping with the *BC Reporting Principles*.

more complex and severe injuries are unable to return without assistance. These cases are typically referred to the WCB's Vocational Rehabilitation Services, which can provide counselling, vocational assessment, planning assistance, and knowledge and skill development to facilitate workers' safe, timely, and durable return to work. To measure the effectiveness of its return-to-work efforts, the WCB tracks the number of successful return-to-work outcomes as a percentage of all cases referred to the vocational rehabilitation program for return-to-work assistance.

By the end of 2004, the WCB had hoped to have in place a new performance indicator that would go beyond vocational rehabilitation to measure the effectiveness of other return-to-work programs and services as well. However, after much review, the WCB decided to keep the existing measure because the data captured by the current claim management system is insufficient to make reliable return-to-work extrapolations on a wider scale. Specific gaps in the return-to-work data have been identified and will be addressed when the WCB updates its claim management system over the next few years.

Performance highlights

In 2004, the WCB exceeded its target, with 67.8 percent of people referred to Vocational Rehabilitation Services successfully finding employment. In total, 2,019 of the 2,977 injured workers referred to the program[1] were assisted back into the workforce, compared with 1,755 of the 2,792 injured workers referred to the program (63 percent) the previous year. For the 958 who remained, some decided not to look for work (retired, stopped looking, were unable due to personal issues, etc.), while 440 were still looking for employment when their benefits ended.

Major programs and strategies

To improve return-to-work outcomes, the WCB continued to focus on providing return-to-work intervention and support to injured workers as early as possible in the claim process. Central to this strategy is the philosophy that many injured workers can safely perform productive work during their recovery. Return-to-work options can involve transitional duties, a gradual return to previous duties, or a return to a modified or alternate job on a temporary or permanent basis.

In 2004, WCB nurse advisors and vocational rehabilitation consultants were involved in the claim process earlier than ever before, working with injured workers, health care providers, and employers to design and implement customized rehabilitation and return-to-work plans. This, in part, is believed to have contributed to the improved return-to-work rate during the course of the year.

The WCB also continued to expand its Employment Development and Placement (EDAP) strategy, which helps vocational rehabilitation consultants and their clients find and secure suitable jobs (when a return to original employment isn't possible). As part of EDAP, the WCB offers employers cost-incentive programs to help offset the costs of hiring and training return-to-work employees. These incentives can include a brief and fully funded work assessment, a cost-shared on-the-job training program, worksite modifications, and/or tuition costs for job-related courses.

During the year, the WCB also launched a three-year pilot project with the pulp and paper industry, which offers financial incentives to employers that meet specified standards in disability management and return to work for their employees. The pulp and paper industry was selected as the test group because the average duration of claims has increased dramatically in that sector over the past 10 years. Depending on the success of the program, it may be expanded to include other industries in the future.

Looking ahead

The WCB is aiming to increase its successful vocational rehabilitation return-to-work rate to 69 percent in 2005, and then to maintain the rate at 70 percent or higher in 2006 and 2007. The improvements will come from a continued focus on return-to-work planning as early as possible in the claim process and an expansion of incentive programs to encourage employers to take a more proactive role in the return-to-work process.

Moving forward, the WCB expects that vocational rehabilitation staff will increasingly limit their focus to more complex cases, which could make it more difficult to push the successful return-to-work rate past the 70 percent mark. Return-to-work outcomes will also be affected by larger external factors, such as the economic climate, severity of injuries, and worker demographics. For example, with the expected boom in B.C.'s economy leading up to the 2010 Winter Olympics, there may be increased opportunities for return-to-work job placements. However, other factors, such as the increasing age of B.C.'s workforce and the potential rise of serious injury claims from

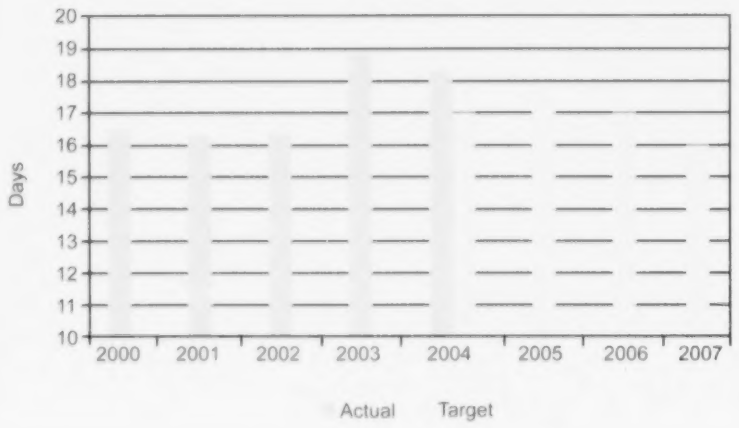
[1] Typically, 3 to 4 percent of all workers with time-loss claims require a referral to Vocational Rehabilitation Services for return-to-work assistance.

the construction sector, may make it more difficult for the WCB to achieve its return-to-work objectives in the longer term. The WCB will continue to monitor these factors, and adjust its programs and initiatives accordingly to give workers the best chance possible of returning to work in a safe and timely manner.

Key objective/performance indicator #4

Improve timeliness of initial short-term disability payments

Timeliness of initial short-term disability payments[1]



Importance

This measure tracks the length of time it takes the WCB to get initial time-loss payments to injured workers with short-term disability claims.[2] Many injured workers rely on timely payment of their benefits in order to sustain themselves and their families until they are able to return to work. Although payment times can be affected by a number of external factors, such as length of time it takes workers, employers, and health care providers to register their information, the WCB strives to get disability payments to injured workers as quickly as possible for all accepted time-loss claims.

Performance highlights

Timeliness of initial short-term disability payments improved in 2004, down 2.7 percent to 18.3 days compared with 18.8 days in 2003.[3] However, this result was short of the WCB's target of 17 days for the year. There were a number of factors that influenced the WCB's ability to achieve its target. First and foremost was the higher volume of claims accepted by the WCB – especially the higher volume of time-loss claims. This increased workload negatively impacted the WCB's efficiency in processing short-term disability payments. The WCB also underwent major internal restructuring in 2004, which impacted its speed in registering and assigning claims to the appropriate level of adjudication.

Major programs and strategies

To improve overall timeliness, the WCB continued its efforts to target areas identified by internal quality reviews as having potential for improvement, particularly in terms of front-end processing. The WCB also worked with committees of employers and medical providers to improve timeliness of injury reporting and submission of forms, both of which affect the timeliness of benefit payment.

Looking ahead

In 2005, the WCB is planning a number of quality enhancement and training initiatives that will help improve performance in this area. Also, the challenges associated with the recent organizational restructuring are not expected to impact timeliness to the same extent as they did in 2004.

The major issue that could negatively affect timeliness is the number of time-loss claims accepted by the WCB. If the volume of time-loss claims continues to grow, it will become increasingly difficult for the WCB to achieve its targets across a number of performance areas, including timeliness of initial disability payments. To help stem the tide of incoming claims, the WCB is stepping up its prevention activities in a number of key areas, with participation from workers, employers, and other key stakeholders (see page 23).

Taking these and other determining factors into account, the WCB is aiming to get initial short-term disability payments to injured workers in 17.5 days on average in 2005, and within 16 days by 2007.

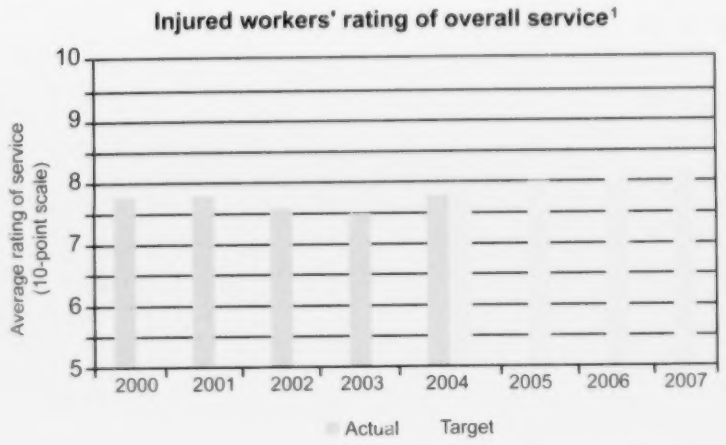
[1] The historical trend data in this chart is unaudited and provided for the convenience of the reader in keeping with the *BC Reporting Principles*.

[2] Timeliness of initial short-term disability payment is specifically defined as the average interval between the first day an injured worker is entitled to time-loss benefits and the date on which his or her first short-term disability payment is entered into the WCB's payment system.

[3] The 18.3 day timeliness statistic represents 78 percent of injured workers who receive payments directly from the WCB (timeliness of 23.3 days) and 22 percent of injured workers who continue to be paid by their employers ("experienced" timeliness of 0 days).

Key objective/performance indicator #5

Improve injured workers' rating of overall service



Importance

To help measure the extent to which the organization is meeting workers' needs, the WCB contracts the Ipsos-Reid polling company to conduct surveys of approximately 2,000 injured workers each quarter, for a total of 8,000 injured workers each year.[2] Participants are asked to rate the WCB on a variety of service attributes, but the main indicator of success is the workers' impressions of overall service provided by the WCB staff member with whom they had their last contact during the claim process. The ratings are scored on a 10-point scale, with 10 representing "excellent" and 1 representing "extremely poor."[3]

Performance highlights

In 2004, injured workers' average rating of service was 7.8 out of 10, which was lower than the target of 7.9 but a notable improvement over the rating of 7.5 in 2003. The increase reversed a trend that had seen the average rate fall for two consecutive years. In terms of specific service attributes, WCB staff scored highest in areas of "professionalism" (8.2 out of 10), "courteousness" (8.2 out of 10), "knowledge of the claim process" (8.2 out of 10), "respect" (8.1 out of 10), and "patience" (8 out of 10), which were all higher than in 2003. Staff "availability" continued to be the WCB's leading service challenge, though it was up 0.4 points to an average of 6.9 out of 10, compared with 6.5 out of 10 in 2003.

Major programs and strategies

After more than a year of planning and consultation with workers, employers, unions, employers' associations, government representatives, and staff, the WCB restructured its operations in 2004 to make it easier for workers, employers, and others to conduct business with the WCB. This new organizational structure consolidated the previously separate service functions of prevention, compensation, rehabilitation, and assessment into one single division, which has simplified and streamlined workers' and employers' interactions with the WCB. Now, rather than being "moved" from one part of the organization to another, workers and employers deal with a "single window" of service: an integrated team of WCB staff with expertise in health and safety, claim management, risk management, and more.

Besides simplifying stakeholder interactions, the new structure allows WCB staff to better share resources in order to meet and anticipate stakeholder needs. And by aligning teams with specific industry sectors (see page 33), team members will become increasingly knowledgeable about the industries they represent, which should lead to improved service for both workers and employers in future years.

To address other aspects of service, each WCB office and claim management department developed and implemented its own customized service plan in late 2003 and early 2004, focusing on the most pressing service issues for that area (as identified by the Ipsos-Reid surveys and various internal quality reviews). The WCB also made improvements to its front-end processing of claims, involved nurse advisors earlier than ever in the claim process to facilitate early recovery and successful return to work, and delivered a variety of targeted, service-oriented training initiatives to staff to help improve service to injured workers in several key areas – all of which contributed to the improved service ratings in 2004.

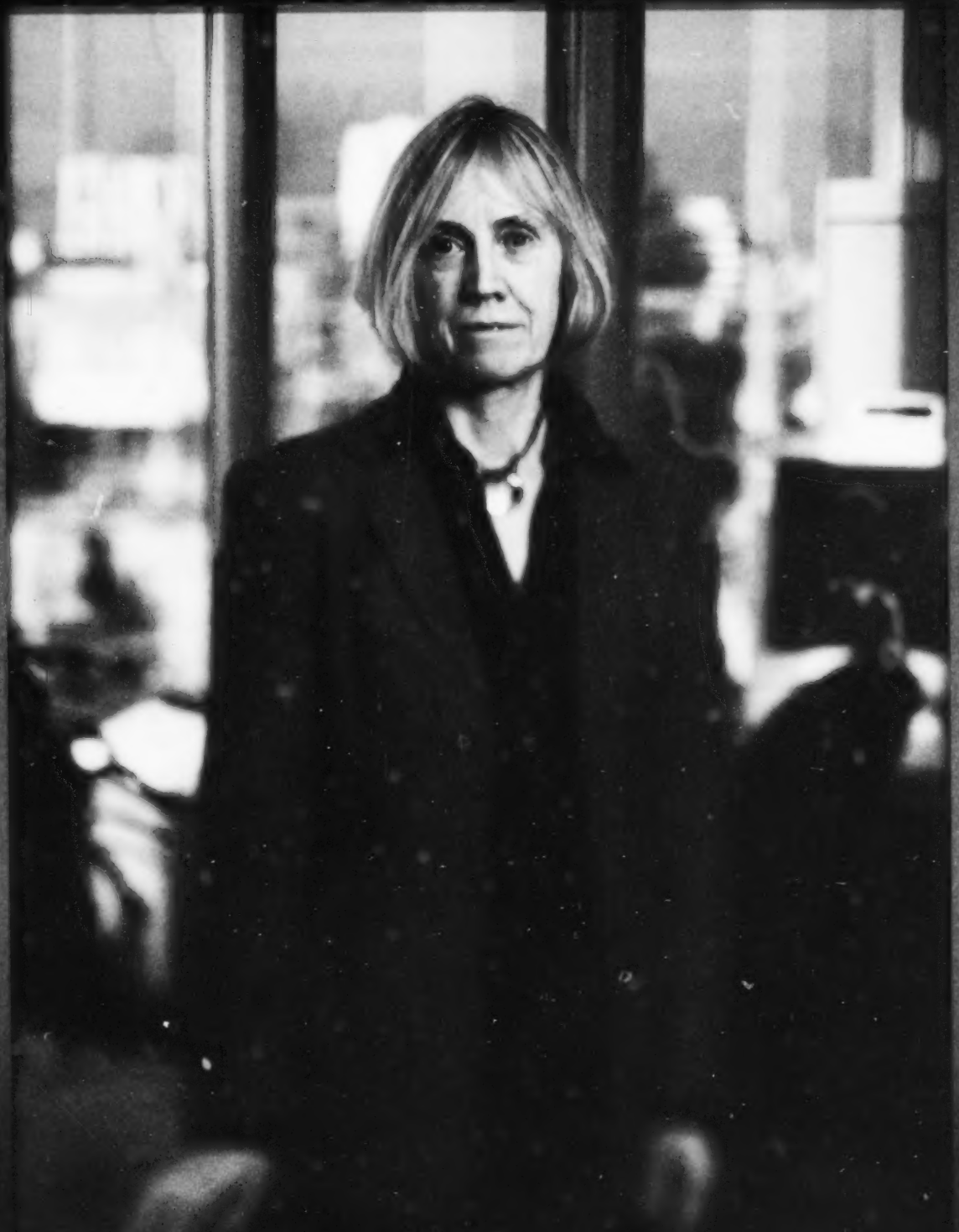
[1] The historical trend data in this chart is unaudited and provided for the convenience of the reader in keeping with the *BC Reporting Principles*.

[2] A total of 8,055 injured workers were surveyed in 2004. The margin of error for the results is +/- 0.1 percent, 95 times out of 100. The population of injured workers used by Ipsos-Reid for randomized polling includes all workers who have either been paid time-loss or vocational rehabilitation benefits in the previous 30 days or whose claims were disallowed in the previous 30 days. Claimants who have been polled in the previous six months are excluded.

[3] The numbers between 1 and 10 don't have defined values, but they do have intrinsic meaning when compared with historical results. Generally, the closer the number is to 10, the better the score.

"There are no stock answers when you're trying to help and support someone who's experienced a workplace tragedy. Every person grieves differently. What we do is listen, link that person to the information surrounding the accident, try to help them understand what happened, and convey what's being done to prevent it from happening again. Then we stay in contact until that person is ready to move beyond the WCB and on with their changed lives."

— Nighean Anderson
Manager, Family and
Critical Incident Response Unit
WCB



Our service commitment: Making a difference, one human being at a time

Looking ahead

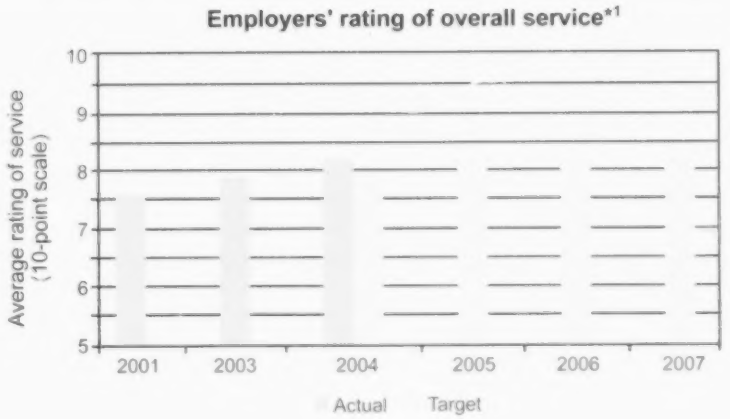
In 2005, the WCB is aiming to build on its success by raising injured workers' rating of overall service to 8 out of 10. By 2007, the goal is to achieve a rating of 8.2. Although the new organizational structure, industry alignment, and ongoing service initiatives should help improve the overall rating, there are still a number of obstacles to overcome. Major changes to workers' compensation legislation and policy, which were introduced in 2002 and 2003, continue to pose a number of administrative challenges that affect service delivery on a daily basis (although the impact of these changes has begun to diminish and is expected to decline further over time). The rising number of time-loss claims could pose major service-delivery challenges in future years if not abated. And an increase in the severity of injuries could also strain the WCB's service resources.

To address these and other service-related challenges, the WCB will undertake a number of new training and service improvement initiatives, including Voice of the Customer Measurement, a completely redesigned customer feedback strategy. Under this new program, the WCB will solicit worker and employer feedback to help identify the areas of service that are most important to each group, then measure performance against those areas. Furthermore, the program will enable the WCB to identify operational areas that need to be changed in order to meet stakeholder concerns.

The WCB is also revising its claim management standards to incorporate new service strategies and set new standards for the management of injured workers' claims. These standards will include tools to assist in measuring performance so that service quality to injured workers can be continually evaluated and enhanced.

Key objective/performance indicator #6

Improve employers' rating of overall service



Data not available for 2000 and 2002

Importance

To help gauge the level of service provided to employers, the WCB contracts Ipsos-Reid to conduct randomized surveys of employers who have had two or more claims in the previous 12 months.[2] The surveys gather data in a variety of categories, but the main indicator of success is employers' rating of overall service provided by the WCB staff member with whom they had their last point of contact regarding their claim. The ratings are scored on a 10-point scale, with 10 representing "excellent" and 1 representing "extremely poor."[3]

Performance highlights

In 2004, WCB staff achieved an average rating of 8.2 out of 10 from employers for "overall service," which surpassed the target for the year and was a 0.3 point improvement over 7.9 in 2003. In terms of specific service attributes, the WCB scored higher in all measured categories with greatest improvements in the areas of "speed or timeliness of service" (8.1, up 0.5 points) and "familiarity with your case" (8.0, up 0.5 points). The WCB's most significant service challenge and lowest mark continued to be staff "availability" (7.1 out of 10), however this rating was up 0.3 points from the previous year.

Major programs and strategies

In addition to ongoing training and service improvement initiatives, employers benefited from the WCB's new operational structure in 2004, which simplified stakeholder interactions with the WCB and resulted in specialized teams of WCB staff assigned

[1] The historical trend data in this chart is unaudited and provided for the convenience of the reader in keeping with the *BC Reporting Principles*.
[2] Five hundred employers were surveyed in 2004. The total margin of error is +/- 4.4 percent, 19 times out of 20. The population of employers used by Ipsos-Reid for randomized polling includes all employers who have registered at least two long-term disability, time-loss, or fatal claims in the previous 12 months. Ipsos-Reid stratifies the employers by size (small, medium, large) and by region (Lower Mainland and the rest of B.C.), then randomly draws employers from each of the six sub-groups (three employer sizes x two regions).
[3] The numbers between 1 and 10 don't have defined values, but they do have intrinsic meaning when compared with historical results. The closer the number is to 10, the better the score.

to specific industries and/or large firms. There have been a number of industry-aligned teams set up at offices across the province, focusing on areas such as construction, health care, hospitality, accommodation, manufacturing, and transportation. Employers have benefited from this initiative by being matched with WCB representatives who are familiar with their industry and understand the issues unique to their specific jobs and worksites. Service to employers is expected to further improve over time as representatives' knowledge and expertise grow, and as WCB programs and services are further integrated.

To complement its new operational structure, the WCB also introduced an account management initiative in 2004, which involved assigning WCB account managers to specific groups of employers. Account managers enhance service by acting as a single point of contact for their customers and by working with their assigned employers to coordinate integrated service delivery on the WCB's behalf. Employers who receive account management services – 620 in total – generally operate medium-sized to large businesses. However, they are not necessarily selected for the program because of their size, but because they are deemed most likely to benefit from the personalized attention. Some of these employers have high claim costs and injury rates, while others have high experience rating surcharges, or challenges with their return-to-work programs. Account managers work with these customers to help overcome these issues and improve the overall level of service provided.

In 2004, the WCB also launched the Small Business Contact Centre in partnership with the Construction Safety Association of B.C. The centre acts as a single point of contact for small construction firms, providing information and services specifically targeted to the small business construction sector. Depending on the success of the program, it may be expanded to other industry sectors.

Looking ahead

In the coming year, the level of service to employers is expected to improve as the WCB's new service structure and account management initiative continue to evolve. The WCB will also undertake a number of smaller ongoing training and service-quality initiatives in each office and service department. Voice of the Customer Measurement, outlined on page 32, will also play a major role in helping the WCB to identify, prioritize, and respond to employers' most pressing service needs. In addition, the WCB will continue to develop programs for employers in rapidly growing industry sectors, such as construction and road building, which will see significant expansion as they prepare for the 2010 Winter Olympics.

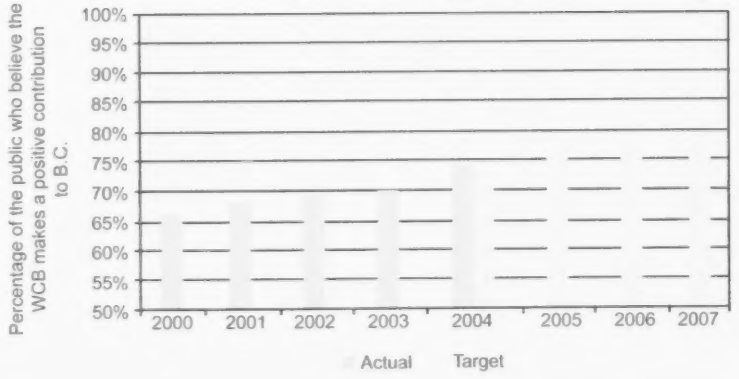
The WCB will also work actively with employers and industries to develop and support individual or association-level disability management plans. This service initiative will involve WCB rehabilitation and return-to-work staff getting involved earlier in the claim process, and collaborating more closely with employers and other external stakeholders to help return their injured workers to work in a safe and timely manner.

The rising number of time-loss claims and increased severity of injuries are just some of the factors that could negatively affect employers' rating of service, just as they affect other areas of the WCB's performance. Nevertheless, taking all such factors into account, the WCB is aiming to maintain an employers' rating of service of 8.2 out of 10 in 2005, and to reach 8.3 in 2006 and 2007.

Key objective/performance indicator #7

Raise public confidence

Public contribution index[1]



Importance

The WCB contracts Ipsos-Reid to survey 800 B.C. residents every three months in order to measure how they view the WCB and its contribution to the province. Although a variety of factors are measured, the major indicator of success is the overall approval rating, which indicates the degree to which

[1] The historical trend data in this chart is unaudited and provided for the convenience of the reader in keeping with the *BC Reporting Principles*.

British Columbians think the WCB makes a positive contribution to the province.[1] The WCB strives to be recognized as an asset by all British Columbians and relies on their trust and buy-in in order to improve the health and safety of B.C. workplaces and improve return-to-work outcomes for injured workers. Increased public confidence enables the WCB to deliver its WorkSafe message more effectively and build lasting partnerships in support of these strategic goals.

Performance highlights

In 2004, the WCB's average public contribution rating reached an all-time high of 74 percent positive, which exceeded the target for the year and improved on the 70 percent average positive rating in 2003. The result also compares favourably with that of other large public and private sector organizations (see Appendix C). The increase is a continuation of a trend that has seen the WCB's rating climb steadily from a low of 51 percent positive in 1996.

Major programs and strategies

The WCB's public contribution rating, which is not tied to any specific group of programs or initiatives, encompasses all aspects of the organization, including the WCB's work in the areas of prevention, claim management, education, claim adjudication, return to work and rehabilitation, financial stability, and more. The rating is a reflection of everything the WCB does and a summation of its perceived value and quality of service.

Looking ahead

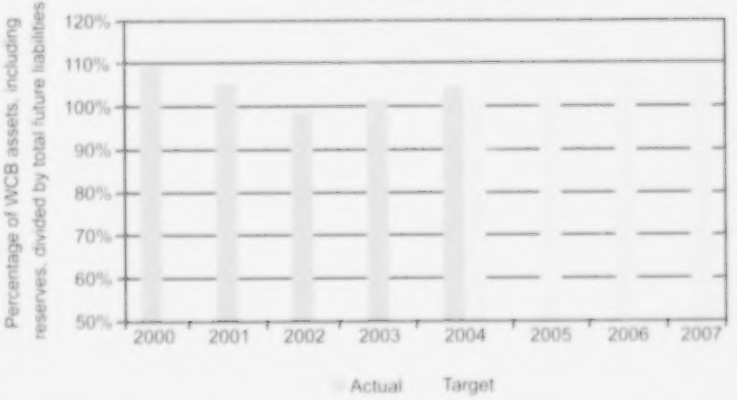
In 2005, the WCB aims to build on its progress by increasing its public contribution rating to 77 percent positive, and between 2006 and 2007, the goal is to achieve a rating of 78 percent positive or higher. Over the coming years, the WCB will experience escalating demands due to increasing stakeholder expectations, economic growth, and a continuing focus on improved quality and timeliness of service. The WCB is actively planning for these changes and has a number of programs and initiatives in place to ensure that it continually meets stakeholder needs across all areas of the organization. The WCB's new organizational structure along with industry alignment and account management are expected to improve service to stakeholders, as will a variety of new products and services currently in the works, including new e-business applications that will make it easier for workers and employers to do business with the WCB. The WCB is also planning a number of educational and social marketing campaigns designed to share the WorkSafe message with a broader public audience and shift public attitudes toward the importance of workplace health and safety. Through these and other ongoing strategies, the WCB will continue to increase public confidence in the organization and improve the perceived value of the workers' compensation system to all British Columbians.

Key objective/performance indicator #8

Achieve an accident fund ratio in the range of 90 to 110 percent[2]

Note: The information in this section is consistent with the WCB's funding policy of smoothing all realized and unrealized capital gains and losses over a five-year period, as opposed to the market value approach to accounting, which requires the immediate reporting of all capital gains and losses each year. For more information about this difference, refer to pages 4 and 42.

Funded ratio (smoothed)[3]



Importance

The WCB's $9-billion accident fund (valued on a smoothed basis) represents the aggregate of its invested premiums and the net gains or losses on funds collected to cover the costs related to past injuries

[1] In 2004, surveys were undertaken three times, for a total population size of 2,400 B.C. residents. The margin of error for each of the three surveys was +/– 3.5 percent, 95 times out of 100.
[2] In calculating the current funded ratio, the value of assets (including reserves) is divided by liabilities.
[3] The historical trend data in this chart is unaudited and provided for the convenience of the reader in keeping with the *BC Reporting Principles*.

and disabilities. A worker who suffered a severe back injury in 1990, for example, may still require financial assistance to cover medical costs and lost wages in present and future years. The combined total of such future costs for all claims incurred each year is a liability against the value of the accident fund. The value of the accident fund assets divided by the total future liabilities is known as the funded ratio. The WCB strives to achieve a funded ratio in the range of 90 to 110 percent. When the funded ratio is too high (above 110 percent), it removes money from the hands of employers that could otherwise be used for investments, wage increases, expansion, or other initiatives. When the funded ratio is too low (below 90 percent), it effectively transfers the burden to future generations of employers who have to pay higher premiums to cover the difference.

Performance highlights

At the end of 2004, the accident fund, including reserves, had a positive balance of $348 million, or 104 percent of liabilities. This was higher than the WCB's initial forecast of 101 percent and represents the second consecutive year that the funded status has risen after three years of decline. The increase is primarily due to the higher than expected growth in the WCB's investment portfolio, which grew by an estimated $117 million in 2004 compared with the original forecast. Also, benefit liabilities were $83 million lower than initially forecast, primarily due to a reduction in unfinalled claim liabilities for long-term disability (due to a decline in the inventory of claims awaiting decision in recent years).

Major programs and strategies

To keep the funded status within the target range, the WCB maintains a conservative and widely diversified investment portfolio designed to provide a reliable, stable cash flow with minimal risk to the system. Through this prudent investment strategy, the WCB provides reasonable assurance that, in the long term, investment returns should cover inflationary increases to benefit liabilities.[1] Over the past five years, ending December 31, 2004, the WCB's portfolio of investments has produced an average accounting rate of return of 5.6 percent.

In addition to investment returns, the other source of income that funds the system is employer premiums. To help ensure timely and accurate collection of employer premiums, the WCB works closely with employers to verify estimated payrolls, confirm amounts receivable, collect overdue accounts, and educate employers on their payment obligations and potential opportunities for savings. In recent years, the WCB has also introduced a number of new payment options that make it easier for employers to remit their premium payments.

To reduce liabilities against the accident fund (of which benefit liabilities account for approximately 98 percent), the WCB has launched a number of targeted prevention initiatives in partnership with workers, employers, industry associations, and other key stakeholders (see page 23). And, when work-related injuries or illnesses do occur, the WCB aims to return injured workers to employment as soon as safely possible, which plays a major role in reducing overall claim costs (see page 27).

Looking ahead

For 2005, the WCB's total assets are forecast to grow by approximately 4 percent, including a 5 percent growth in investments. The WCB's total liabilities are forecast to grow by approximately 3 percent. The accident fund balance is forecast to reach a positive balance of 105 percent or $434 million – a $581 million turnaround since 2002.

To maintain the funded ratio within its current range, the WCB will continue its focus on stable, reliable investment performance; the reduction of workplace injury, illness, disease, and death; and the safe and timely return to work of injured workers. However, the ratio of assets to liabilities is also influenced by a wide range of external factors including economic growth, interest rates, inflation, severity of injuries, and more. Long-term predictions can be tricky, but if current trends continue as expected, the WCB is expecting a funded status of 106 percent for 2006, and 107 percent for 2007.

Key objective/performance indicator #9

Attain an aggregate premium rate between $1.75 and $2.25

Note: The WCB does not track the historical aggregate base premium rate, but does calculate the historical actual final collected rate (as shown in the chart on the next page), which is the final aggregate base premium rate after all transition and surplus adjustments are made. The actual final collected rate for 2004 is estimated based on the best available data at the time of publication.

[1] Compensation benefits are, by legislation, indexed to the consumer price index (CPI) less 1 percent. The WCB aims for investment returns at a rate of 3.5 percent above the CPI.

Premium rate (actual final collected)[1]

Importance

The WCB collects premium payments from employers to cover the costs of operating the workers' compensation system. In exchange, employers are protected from lawsuits arising out of work-related injury, illness, and disease. The cost of premiums varies depending on the cost of claims in each industry sector and the value of the WCB's total assets, but overall the WCB aims to maintain an aggregate base rate between $1.75 and $2.25 per $100 of assessable payroll. If the aggregate premium rate goes above $2.25 it puts excessive financial strain on employers and if it dips below $1.75 it can weaken the long-term financial sustainability of the system.

Performance highlights

The aggregate base premium rate for employers in 2004 was $2.13 per $100 of assessable payroll ($1.96 after transition and surplus),[2] which represented a small increase of 0.7 percent over the 2003 base rate. This was higher than the WCB's initially announced 2004 rate of $2.06 due to recent shifts in payroll mix involving larger growth rates among higher risk industries. However, the base rate of $2.13 was still 7 percent lower than the most recent high of $2.29 in 1996.

The 2004 base rate reflects another year of relative rate stability in B.C., and remains among the lowest rates in Canada (see page 86 for more information). A writedown of WCB investment values in 2002 put upward pressure on the base rate in 2004, but this was offset by a reduction in benefit costs arising out of legislative changes in 2002 and 2003 and reductions in the injury rate over recent years.

In total, 51.7 percent of B.C.'s registered employers saw their rates decline in 2004, while 4.8 percent saw their rates remain stable, and 43.5 percent saw their rates rise. Key industries that saw their rates go down include acute, short-term, and long-term care facilities in the health care sector, municipalities, colleges and universities, accommodation, department stores, supermarkets, and trucking. Industries that saw their rates go up include agriculture, commercial construction and sub-trades, highway construction and maintenance, electrical utilities, gas utilities, forestry, and wood products manufacturing.

Major programs and strategies

The aggregate premium rate is primarily a reflection of overall claim costs – the higher the costs, the higher the base rate and vice versa. To help reduce claim costs, the WCB works with employers, workers, unions, and other key stakeholders to strengthen workplace health and safety and prevent work-related injuries, illnesses, and fatalities. Some of the major prevention activities undertaken by the WCB include developing and supporting industry-specific health and safety associations, educating and consulting workers and employers on key health and safety issues, and reaching out to high-risk industry sectors and groups such as young workers (see pages 23 and 24 for more information).

Besides volume of claims, the other major factor that affects claim costs is claim duration. The WCB has a variety of strategies and programs in place to reduce the duration of short-term claims (see page 26), and for more complex claims the WCB works closely with external partners to return injured workers to employment in a safe and timely manner. Through the assistance of WCB vocational rehabilitation consultants, employers, and training organizations, the majority of workers who are referred to the WCB's vocational rehabilitation program are successful in obtaining suitable new jobs (see page 27 for more information).

In addition to claim costs, the premium rate is also affected by the degree to which the WCB's liabilities are

[1] The historical trend data in this chart is unaudited and provided for the convenience of the reader in keeping with the *BC Reporting Principles*.
[2] Transition and surplus will play less of a role by 2006. For more information about transition and surplus, refer to the WCB's web site at www.worksafebc.com/for_employers/managing_your_account/employer_rebate/emp_20_50_10.asp.

funded; or more specifically, the value of the WCB's total assets divided by total liabilities (of which benefit liabilities account for approximately 98 percent). This value is known as the funded ratio. To maintain employer premium rates within the target range, and to maintain the sustainability of the workers' compensation system, the WCB strives to maintain the funded ratio between 90 and 110 percent (see page 34). Through a prudent investment strategy and a continued focus on prevention and timely return-to-work, the WCB has been able to keep the funded ratio between 90 and 110 percent for the past nine years, which has contributed to generally lower and more stable premium rates.

Looking ahead

In 2005, the estimated aggregate base premium rate will decrease from $2.13 per $100 of assessable payroll ($1.96 after transition and surplus) to $1.97 per $100 of assessable payroll ($1.87 after transition and surplus).[1] The decrease is primarily the result of lower injury rates and lower duration of claims during the past few years. Base premium rates will remain constant or decline for 57 percent of B.C.'s registered employers. Industries such as hospitals, long-term care facilities, public school districts, universities, poultry processors, auto and aircraft assemblers, auto dealerships, and financial institutions will see their rates decrease by 20 percent. Key industries whose rates will increase include logging; industrial, commercial, and high-rise construction; telecommunication services; and shake and shingle mills.

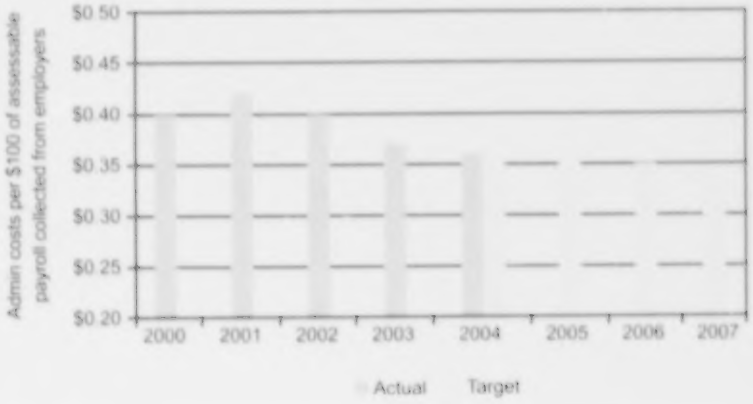
Despite the decrease in the 2005 aggregate premium rate, not all future indicators are uniformly positive. After more than a decade of continuous decline, the injury rate now seems to be stabilizing (in fact, there was a marginal increase in the rate in 2004, see page 23). Short-term claim duration also increased slightly in 2004. If these trends are not reversed, there will be upward pressure on premium rates in future years.

Other factors that will play a major role in the cost of future premiums include the rate of the WCB's investment returns, the successful return-to-work rate for injured workers, the performance of the provincial economy, and the general mix of workers and businesses participating in B.C.'s growth. The WCB will continue to focus on prevention, rehabilitation, and return-to-work initiatives, but it will take the combined efforts of employers, workers, and other key partners working together to reduce the frequency and severity of workplace injuries in order to keep premium rates low.

Based on current trends, the WCB is tentatively forecasting aggregate base premium rates of $1.90 for 2006 and $1.89 for 2007, a reduction from the 2005 level of $1.97 (a slight increase over the 2005 rate of $1.87 after transition and surplus, which is primarily due to the winding down of the pre-2000 surplus abatement program).[2]

Key objective/performance indicator #10
Improve administration costs

WCB administration costs[3]



Importance

The WCB strives to provide value to its stakeholders by delivering the highest level of service in the most cost-effective manner. One way the WCB measures its effectiveness in this area is by calculating its annual administration costs per $100 of assessable payroll collected from employers. These costs are one of the key statistical measures collected and reported on by other Canadian workers' compensation organizations (based on a common definition of administration costs, with adjustments made to allow for operating and legislative differences – see Appendix C for comparative information).[4] The measure allows the

[1] If the growth rate in higher-risk industry groups continues in 2005 as it did in 2004, the target rate of $1.87 may ultimately be closer to $1.94 (both after transition and surplus).
[2] For more information, refer to the WCB's web site at www.worksafebc.com/for_employers/managing_your_account/employer_rebate/emp_20_50_10.asp.
[3] The historical trend data in this chart is unaudited and provided for the convenience of the reader in keeping with the *BC Reporting Principles*.
[4] In accordance with the standard AWCBC method of calculation, the WCB does not include administration costs associated with prevention, treasury investments, legal and recoveries, third-party recoveries, grants and awards, reviews and appeals, workers' and employers' advisers, sessional doctors, external medical service providers, and costs related to self-insured employers. The WCB also excludes non-recurring one-time costs in order to keep results comparable with previous years. The largest material cost of these items is prevention costs, which were $0.08 per $100 of assessable payroll in 2004.

WCB to compare and evaluate its efforts to reduce the overall cost of administering the workers' compensation system.

Performance highlights

In 2004, the WCB's administration costs were $0.36 per $100 of assessable payroll, which was on target for the year and down from $0.37 in 2003. The WCB's administration cost ratio has been on a steady decline since 2001 when it reached a high of $0.42 per $100 of assessable payroll.

Major programs and strategies

In 2004, the WCB reorganized its operations to better achieve its mandate and increase the quality of service provided to employers, workers, and other key stakeholder groups. The corporate realignment provided approximately $2.4 million in cost savings, which partially offset cost pressures from inflation and rising work volume. These savings, in addition to more effective allocation of resources and reduced spending in several areas, allowed the WCB to maintain administration costs at essentially the same level as 2003.

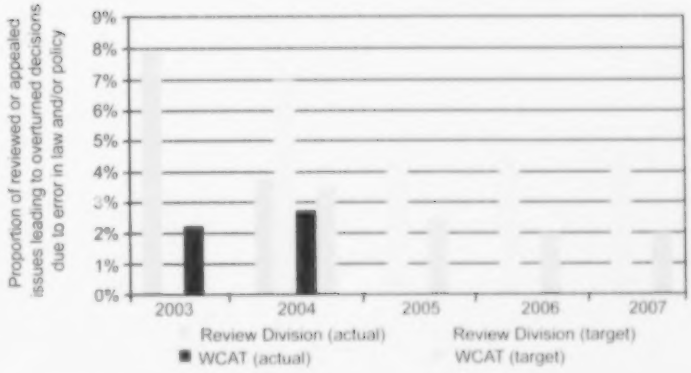
Looking ahead

Over the coming year, the WCB's operating budget will increase by approximately $7 million or 2.4 percent. This small increase will support a variety of new strategic initiatives designed to improve service and reduce costs in several key areas of performance. The WCB's administration costs per $100 of assessable payroll are expected to remain at $0.36. Further declines will require major systems improvements or business process changes in order to reduce costs while maintaining or improving the level of service provided. With several such initiatives planned or already in the works, the WCB expects to reduce administration costs to $0.35 per $100 of assessable payroll by 2006 and to $0.33 per $100 of assessable payroll by 2007. Moving forward, the Board of Directors and Senior Executive Committee will continue to monitor and evaluate the balance between administration costs and service quality, and to adjust that balance in order to best meet the needs of stakeholders.

Key objective/performance indicator #11
Improve decision making throughout the WCB, ensuring consistency with legislation and policy[1]

Note: The Review Division and Workers' Compensation Appeal Tribunal (WCAT) both came into existence in March 2003, therefore the data for that year is only partial and there is no available data for years prior to 2003.

Issues leading to overturned decisions due to WCB error in law and/or policy[2]



Importance

WCB employees make thousands of decisions on compensation, prevention, assessment, and rehabilitation matters every working day. The vast majority of these decisions are accepted without issue, but workers and employers have the right to appeal decisions if they disagree with the WCB's findings. There are two levels of appeal for most decisions made by the WCB. The first level is an internal review by the WCB's Review Division. The second level is an appeal to an independent body known as the Workers' Compensation Appeal Tribunal (WCAT). Both came into existence in March of 2003. The WCB tracks the number of issues at each level that led to overturned decisions due to error in the WCB's application of legislation and/or policy. This error rate is a key indicator of the overall quality of the WCB's decision making.[3]

[1] There was a minor wording change to this indicator in 2004 to include the word "policy." This does not reflect a change to the measure itself but is simply intended to better reflect what the measure represents.
[2] The historical trend data in this chart is unaudited and provided for the convenience of the reader in keeping with the *BC Reporting Principles*.
[3] The targets at the Review Division level indicate anticipated improvements in the training, clarity of policy, and quality of decision making within the WCB's operating divisions and not the Review Division or WCAT. The targets at the WCAT level indicate similar anticipated improvements within the operating divisions *and* the Review Division.

Performance highlights

In 2004, the Review Division reviewed a total of 13,799 issues, relating to 11,814 WCB decisions. Five hundred and twenty of those issues (3.8 percent) led to overturned decisions due to an error in the WCB's application of legislation or policy, which was better than the target for the year. The WCAT ruled on 2,911 issues and 80 of those issues (2.7 percent) led to overturned decisions due to an error in legislation and/or policy, which was also better than the target.[1]

The results compare favourably with baseline results established at the review level between April 2003 and March 2004, which had an overturn rate of 7.1 percent, and at the WCAT level between August 2003 and July 2004, which had an overturn rate of 3 percent. (These baseline periods represent the first full year of review and appeal decision making subject to this measure.)

Major programs and strategies

The WCB has a number of programs, initiatives, systems, and processes in place to help ensure that decisions made under the *Workers Compensation Act* are consistent with appropriate legislation, regulation, and policy. At the broadest level, this involves a variety of ongoing training, coaching, and mentoring programs aimed at educating WCB decision-makers on the appropriate application of legislation and policy.

The quality and consistency of the WCB's decision making are also dependent upon effective communication, and in 2004 there was a high level of collaboration and communication between the Review Division, the WCAT, and the operating divisions of the WCB. This interaction, both formal and informal, helped the WCB identify and address areas for improved decision making, including opportunities for reducing errors in the application of legislation and policy.

To further improve the quality of decision making, the WCB maintained or introduced several ongoing quality-related initiatives during the year, including but not limited to:

- Operating senior-level quality councils for compensation, prevention, and assessment decision making. The councils, which include representatives from various areas of the WCB as well as members of the WCAT, review ongoing quality issues and develop recommendations for change.
- Creating a working-level quality team, with WCB-wide representation, to complement the high-level work of the quality councils. This group also identifies day-to-day quality concerns, and develops and implements immediate and long-term solutions.
- Appointing an inter-divisional/inter-agency quality coordinator to coordinate quality-related processes and decision-making quality initiatives and standards between the WCB and the Review Division, and between the Review Division and the WCAT.
- Launching the Top Issue Analysis Project, in which the largest volume and highest overturn-rate issues at the review level are evaluated for policy clarification or other opportunities for improvement.
- Piloting a decision support strategy which, once fully rolled out, should assist decision-makers throughout the review process to make consistent, quality decisions.

In addition to these and other quality-supporting initiatives, the WCB has begun implementing a variety of changes to its claim management system and processes. While primarily aimed at improving the timeliness and efficiency of work, these changes will, over time, also assist with the quality and consistency of decision making across all levels of the WCB.

Looking ahead

Between 2005 and 2007, the WCB is aiming to keep the decision overturn rate due to errors in the application of legislation and/or policy at or below 4.5 percent at the Review Division level. At the WCAT level, the target is to lower the rate to less than 2.5 percent in 2005, and to keep the rate below 2 percent in 2006 and 2007.

It is believed that the quality of decision making will generally improve and the rate of overturn due to legal and policy errors will decrease over the coming year as staff become increasingly knowledgeable about legislative and policy changes implemented in 2002 and 2003. Ongoing training and quality-control initiatives should also contribute to declines in the overturn rates. In early 2005, the WCB will introduce a course for decision-making staff on methods of evidence gathering, appropriate weighing of evidence, decision making, and documentation. The course has been developed in response to ongoing appeal trends.

[1] Of the issues reviewed in 2004, 66 percent were denied (original decision upheld), 21.9 percent were allowed or allowed in part (decision overturned), and 12.1 percent were returned to the WCB (sent back to initial decision-making division to make a further determination on the issue). Of the issues allowed or allowed in part (leading to overturned decisions), 10.7 percent were due to reweighing existing evidence, 7.4 percent were due to reweighing with new evidence, and 3.8 percent were due to error in law and/or policy. Of completed appeals of Review Division decisions in 2004, 67.9 percent of issues were denied (decision upheld) and 32.1 percent of issues were allowed or allowed in part (decision overturned). Of the issues allowed or allowed in part, 19.4 percent were due to reweighing with new evidence, 10.0 percent were due to reweighing existing evidence, and 2.7 percent were due to an error in law and/or policy.

Financials

"I'm pleased to report that the WCB is fully funded. Through our investment strategy, fair pricing and collection of premiums, and sustainable benefit policies and compensation practices, we have been able to ensure sound financial management for a viable workers' compensation system. By maintaining financial integrity over the long term, we will earn public trust and uphold our commitment to fair compensation for injured workers and their families — now and into the future."

— Sidney Fattedad
Chief Financial Officer
WCB

Management Commentary on the 2004 Financial Statements

Important background

Effective in 2004, the Canadian Accounting Standards Board introduced major changes to accounting guidelines for portfolio investments, which are contained in section 3855 of the Canadian Institute of Chartered Accountants (CICA) handbook. These guidelines, referred to as generally accepted accounting principles or GAAP, changed as a result of harmonization between Canadian accounting rules and international accounting standards.

Prior to 2004, all Canadian workers' compensation boards followed an industry-specific accounting practice that valued their investment portfolios using the amortized costs method for fixed-income instruments, and the deferral and amortization method for all realized and unrealized market gains and losses on other financial instruments over a five-year period (hereinafter referred to as the smoothed accounting method). The smoothed accounting method had the effect of deferring, and hence smoothing, the recognition of all market value gains and losses into future periods, thus avoiding volatility in operating results and financial position.

In 2004, the CICA ceased to allow the use of industry-specific accounting practices and at the same time introduced specific GAAP rules, under CICA section 3855, calling for portfolio investments to be recorded at fair value at balance sheet date (fair value for publicly traded investments is defined in the CICA guidelines as their current market price). The change in accounting guidelines is to be applied prospectively, so restatement of prior years' operating results is not required.

By implementing the new GAAP rules, the WCB follows prescribed disclosure procedures for accounting for portfolio investments that are "available for sale" (see footnote 2 on page 43), whereby all realized gains and losses from portfolio investments are recorded in normal operating income while unrealized market gains and losses are recorded as other comprehensive income below the operating results line.

Important difference between financial statements and funding policy

The WCB has a funding policy that is based on the smoothed accounting method. This funding policy underlies the WCB's premium rate-setting methodology and is intended to ensure that financial market volatility does not translate into undue premium rate volatility for the business community.

Since the WCB is required by legislation to fully fund the accident fund (full collection of premiums in each year to fund all current and future payments from injuries arising in the year), its business cycle reflects the discounted duration of its liabilities which average 12 years from the initial underwriting to the final loss payment. Such a long business cycle requires investment strategies that are long term in nature with the result that short-term fiscal changes in market value of investments is not necessarily the primary focus of the investment strategy.

While recognizing the validity of the new GAAP rules for the purpose of disclosing annual financial statements, the WCB will continue to use the smoothed accounting method to determine the funding level of the accident fund and its rate groups – hence continuing to avoid premium rate volatility caused by short-term financial market volatility.

Discussion of financial results (new GAAP)

In 2004, the WCB recorded a $280-million surplus from operations, an increase of $125 million over 2003. Other comprehensive income, representing net unrealized market value gains from available-for-sale portfolio investments, being recognized for the first time as a result of the new GAAP rules, totalled $390 million. Total comprehensive operating surplus for the year was $670 million, an improvement of $515 million over last year.

2004 and 2003 financial highlights

($ millions)	2004	2003	Increase (Decrease)
Normal operations			
Income	$ 1,631	$ 1,573	$ 58
Expenses	(1,351)	(1,494)	143
Surplus from normal operations	280	79	201
Non-recurring items	–	76	(76)
Other comprehensive income			
Unrealized market value gains (net)	390	–	390
Total comprehensive income	670	155	515
Fund balance – at beginning of year	(252)	(407)	155
Unrecognized net realized gains from prior years	318	–	318
Unrecognized net unrealized gains on held-for-trading[1] investments from prior years	75	–	75
Reclassification of net unrealized gains included in the opening balance of accumulated other comprehensive income	(48)	–	(48)
Adjusted fund balance – at beginning of year	93	(407)	500
Accumulated other comprehensive income (AOCI) – at beginning of year	–	–	–
Unrecognized net unrealized gains on available-for-sale[2] investments from prior years	215	–	215
Adjusted AOCI – at beginning of year	215	–	215
Fund balance and AOCI – at end of year	$ 978	$ (252)	$ 1,230

[1] Held-for-trading investments are acquired mainly for the purpose of selling the investments in the near term.
[2] Available-for-sale investments are neither held-for-trading investments nor investments with fixed maturity that an entity has a positive intention to hold to maturity.

Revenues

The WCB has two primary sources of revenue: premium income and investment income.

Premium income totalled $1,175 million in 2004, an increase of $98 million over the reported premium income for 2003. This $98-million increase consisted of:

1) $25 million for the understatement of 2003 premiums due to receipts subsequent to closing for the year. (Premium receipts can vary after reporting due primarily to the fact that employers in British Columbia are not required to pay their premiums fully until after year-end; as a result, a sizeable portion of the amount receivable at year-end is estimated.)

2) When adjusted to reflect premium incomes in the two years, 2004 premiums were $60 million or 5.5 percent higher than 2003, reflecting the growth in the economy and a relatively flat average premium rate.

3) $13 million in increased assessments for self-insured employers and employer-funded injury reduction initiatives.

Reported investment income in 2004 was $40 million lower than the previous year ($456 million in 2004 compared with $496 million in 2003). As described earlier, investment income in 2004 is recorded under the new GAAP rules and primarily reflects the realized investment gains and receipts for the year, while in 2003 investment income included the amortization of realized and unrealized net gains. Actual realized gains in 2004 were $213 million, $120 million higher than the $93 million gain in 2003.

Expenses

Time-loss claims rose in 2004, for the first time since 2000, as economic expansion and growth in employment combined with the first (though marginal) increase in the injury rate in 14 years.

	2004	2003	Increase (Decrease)	%
Estimated person-years worked	1,840,000	1,800,000	40,000	2.2
Estimated injury rate (per 100 person-years)	3.08	3.06	0.02	0.7
Claims first paid[1]	60,160	58,834	1,326	2.3
Total claim costs ($ thousands)	$1,216,000	$1,288,000	$(72,000)	(5.6)
Current-year claims	$894,000	$841,000	$53,000	6.3
Indexation cost	$461,000	$391,000	$70,000	17.9
Prior-period claims liability adjustments	($139,000)	$132,000	($271,000)	(205.3)
Legislative changes	–	($76,000)	$76,000	100.0
Consumer Price Index	2.3	1.6	0.7	43.8

Claim costs

The WCB's claim costs comprise three primary elements: 1) cost of current-year claims, including both amounts paid in the period and actuarially determined estimates of future costs of these claims; 2) the cost of indexation related to wage and CPI increases; and 3) adjustments to actuarially determined estimates of future claim costs for prior-period claims.

1) Current-year claims

Current-year claim costs increased $53 million or 6.3 percent over 2003. This increase is explained primarily by the two variables of volume and average cost per claim. Claim volumes increased 2.3 percent as shown above and the duration of claims increased 2.8 percent. The duration measure mainly reflects the complexity or severity of claims as well as the ability of the WCB to process claims expeditiously. The duration increase in 2004 resulted from the combination of increased claim volume and a reduced internal staff capacity to process claims.

The WCB recognizes that with the expansion of economic activity in the province, internal capacity needs to be strengthened in the areas of prevention and claim processing. The WCB has taken action to increase resources in these areas in 2005 in order

[1] Data excludes health-care-only claims.

to address emerging issues and risks, which are discussed later in this commentary.

2) Indexation related to wages and CPI

The cost of indexation in 2004 totalled $461 million, an increase of $70 million over 2003. The primary determinant of indexation costs is the level of the consumer price index (CPI), which increased 43.8 percent over 2003.

3) Adjustments to actuarial estimates of prior-period liabilities

Adjustments to reduce actuarial estimates of prior-period liabilities at the end of 2004 totalled $139 million, compared with adjustments that increased actuarial estimates by $132 million at the end of 2003, resulting in a year-over-year reduction of this expense category by $271 million. These adjustments were predominantly driven by the unfinalled claim portion of the liabilities.

The WCB's total pool of liabilities comprises known pension liabilities totalling $3.8 billion and actuarially determined estimates of future liabilities for unfinalled claims totalling $4.6 billion. Of the latter pool of unfinalled liabilities, 50 percent or $2.3 billion relate to an estimate of potential future long-term disability costs to be awarded. As a result of a significant and prolonged effort in the past several years to process long-term disability claims awaiting resolution, the number of claims in inventory has been reduced from 7,625 at the beginning of 2001 to 4,124 at the end of 2004. During this period, long-term disability awards totalling $1.6 billion were processed, compared with $1.2 billion in the four years before that. The reduction in the inventory contributed to a lowering of actuarial estimates of future liabilities yet to be awarded at the end of 2004.

In addition to these reductions in the expected future costs of long-term disability awards, significant prior-year actuarial gains emerged from the short-term disability and vocational rehabilitation areas, as the five-year-average experience used to set liabilities encompassed more recent lower cost levels. These short-term disability and vocational rehabilitation gains were further supported by an increase in the average benefit wage of only about 0.8 percent over 2003 – well below the actuarially expected increase of 3.3 percent.

It is probable that, in the absence of unforeseen legislative or appellate developments, the WCB's unfinalled liabilities will be less volatile and less prone to upward actuarial adjustment in future years. This would be a welcome respite for the WCB as it would mean less pressure on the investment portfolio to generate extraordinary investment returns in order to maintain funding levels.

Operating costs

The WCB's gross operating costs totalled $301 million in 2004, compared with $296 million in 2003, as a result of a $5-million increase in injury-reduction initiatives funded by the WCB in 2004. During the year, a major reorganization of the WCB's internal operations saw the merging of all service functions for employers and claimants into one service division. Many new services and products were introduced, including the realignment of service delivery locations with industries to provide better and more customer-focused service. New initiatives were launched to improve internal processes, including the introduction of the Six Sigma standard and the National Quality Institute guidelines. The method by which employers and workers are surveyed for feedback was improved and value segmentation was introduced to further enhance prevention and return-to-work targeting capability. The changes that were introduced during the year are expected to produce significant improvements to service and financial performance in the future.

Other comprehensive income

Other comprehensive income represents unrealized market value gains (net) from available-for-sale portfolio investments. This is a new line item in the statement of operations and is shown below the operating results line, indicating that it should be viewed in a different context from normal operations. The unrealized market value gains represent market valuation of portfolio investments as at the balance sheet date, and these gains are subject to market value fluctuations. Since the majority of the portfolio of investments is held to meet payment obligations that extend for many years into the future, the valuation of these investments at a point in time provides a comprehensive view of the financial position of the WCB at only that point in time. Short-term changes in financial markets could produce significant variations in this line item from year to year, whereas the WCB's investment policies are designed to meet the long-term duration profile of its liabilities.

Gain and loss analysis

The following gain and loss analysis isolates the major components contributing to the operating results in 2004 and 2003 (as they apply to the results related to the rateable employers). Also shown are the aggregate gain and loss elements for the last five years in order to provide a broader perspective on recent financial results.

($ millions)	2004	2003	Increase (Decrease)	Five-year total increase (Decrease) 2000–2004
a) Premium revenue excess (deficiency) over current-year costs	$ 128	$ 93	$ 35	$ (394)
b) Investment income greater (less) than liability requirements – smoothed basis	41	101	(60)	(110)
c) Lower (higher) actuarial liabilities than previously anticipated	171	(112)	283	(430)
d) Extraordinary adjustments to revalue liabilities	–	73	(73)	646
Operating surplus (deficit) – smoothed basis	340	155	185	(288)
e) Unrealized market gains reported as comprehensive income	(60)	–	(60)	(60)
Operating surplus (deficit) – fair value	$ 280	$ 155	$ 125	$ (348)

a) Premium income in 2004 exceeded the cost of current-year injuries by $128 million. Since premiums are set using the most recent three years' weighted injury rates and cost rates, premiums will usually lag behind (be higher than) the actual experience in periods of declining injury and cost rates. Another element of the increase is the inclusion of $97 million in the premium rates, which is the net amount included to amortize rate group deficits after rate capping is recognized. In 2004, premium adjustments included $67 million for surplus abatement and interest for employers that had surplus balances when rate groups were restructured in 2000.

b) Investment income calculated on the smoothed basis in 2004 met actuarially required returns. Market return in 2004 was 10.2 percent, compared with 13.5 percent in 2003. The smoothed return in 2004 remained unchanged from the 2003 return of 6.4 percent.

c) Lower actuarial liabilities in 2004 were primarily the result of lower unfinalled costs in the areas of long-term disability, short-term disability, and vocational rehabilitation liabilities, as explained in the earlier discussion of claim costs.

d) There were no extraordinary adjustments to revalue liabilities in 2004.

e) In 2004, pursuant to new GAAP rules, investment income is segregated generally into two categories – realized or received income and unrealized income. As a result, unrealized income that is included in the smoothed income method is reported as a non-operating comprehensive income line below the results from operations. The reported amount of $60 million appears for the first time in 2004.

Funding status

At the end of 2004, the WCB's reported financial position had changed dramatically compared with 2003 as a result of the significant change in GAAP, discussed earlier in this commentary.

($ thousands)	Financial statement balance sheet 12/31/2004	Funding policy balance sheet 12/31/2004	Funding policy and financial statement balance sheet 12/31/2003	Increase (Decrease) funding policy balance sheet 2004 over 2003
Assets				
Receivables	$ 508,000	$ 508,000	$ 459,000	$ 49,000
Portfolio of investments	9,203,000	8,314,000	7,880,000	434,000
Capital assets	140,000	140,000	142,000	(2,000)
Total assets	9,851,000	8,962,000	8,481,000	481,000
Liabilities				
Payables	202,000	202,000	203,000	(1,000)
Benefit liabilities	8,412,000	8,412,000	8,270,000	142,000
	8,614,000	8,614,000	8,473,000	141,000
Fund balance				
Balance before accumulated unrealized gains	372,000	88,000	(252,000)	340,000
Accumulated unrealized gains	605,000	–	–	–
Reserves	260,000	260,000	260,000	–
	1,237,000	348,000	8,000	340,000
Total liabilities, fund balance, and accumulated other comprehensive income	$ 9,851,000	$ 8,962,000	$ 8,481,000	$ 481,000
Off balance sheet deferred gains – smoothed basis	$ –	$ 724,000	$ 467,000	$ 257,000

Emerging issues

The management commentary in the WCB's annual report for 2003 referred to an impending change in Canadian accounting standards to harmonize with international standards. At that time, the WCB was concerned that the change to fair value accounting for portfolio investments could lead to volatility in employer premium rates. The new Canadian GAAP rules were introduced and adopted by Canadian workers' compensation organizations in 2004. The impact on reported financial positions as a result of the new GAAP rules has led to the need for the workers' compensation system to distinguish between reported financial statement funding level and rate-making or policy funding level. The Canadian workers' compensation systems have agreed in principle that the smoothed valuation approach to portfolio investments continues to be the best approach to rate-making and that, going forward, readers of financial statements should be aware of the difference between a reported financial position and a funding policy financial position.

Risks

Like any organization, the WCB is susceptible to risks that, if unmitigated, could lead to significant financial consequences. There are four key variables that affect the WCB's performance and financial position: a) injury rate, b) benefit cost rate, c) investment return, and d) consumer price index (CPI).

a) Injury rate

The overall injury rate of the B.C. workers' compensation system has been declining during the past decade. High-risk and other industries have reduced

their injury rates, thereby contributing to the very dramatic decline of over 40 percent in the overall rate from 5.15 injuries per 100 person-years in 1994 to 3.08 in 2004. Approximately 90 percent of the injury reduction is "real" in the sense that it results from these types of reductions. The mix of industries that compose the system has also changed during that time. Lower-risk industries, with lower injury rates, have increased their share of the total employment pie in B.C., thus contributing another 10 percent of the experienced injury rate reduction. It is estimated that a 1 percent decrease in the overall injury rate, all else being equal, would translate to a $9-million savings in workers' compensation benefit costs.

The overall injury rate is the single largest determinant of injury costs – both in human and financial terms – hence it is a primary operating variable that focuses the WCB's attention on risk mitigation.

During 2004, the province's construction industry, which has a higher injury rate profile of 6 per 100 person-years (twice that of the average injury rate), has entered a major expansionary phase which is predicted to continue until 2008. Such rapid growth is likely to lead to an influx of inexperienced workers who are at greater risk of injury than experienced workers. To counteract the potential impact on its improving safety record, the construction industry, in collaboration with the WCB, has launched initiatives aimed at improving workplace safety, training, and certification. Proactive mitigation of risks in this industry will ensure that the overall injury rate does not deteriorate. Included in the operating budget of 2005, the WCB has added resources for prevention and the servicing and monitoring of this industry sector.

b) Benefit cost rate

Benefit costs, especially those related to long-term disability, are susceptible to many variables including employers' return-to-work practices, the WCB's claim processing effectiveness, and appellate decision results. In the past, the appellate decision variable has been the most unpredictable and costly risk factor. The number of appeals pending resolution at the Workers' Compensation Appeal Tribunal at the end of 2004 totalled 9,882, compared with 15,699 at the end of 2003. Since the results of these appeals are unpredictable and unknown, they could affect the actuarial estimates of unfinalled liabilities in the system – either positively or negatively.

c) Investment return

The WCB has a prudently balanced portfolio of investments with an asset allocation policy of 45 percent equities, 45 percent fixed income, and 10 percent real estate. The Board of Directors of the WCB has the responsibility of setting this policy, having matched the policy to the duration of its liabilities. In setting a prudent investment profile the Board has taken into account the fact that it is relatively well funded and that the investment policies contain appropriate safeguards and controls against investment risks. There exist, however, risks that are not directly controllable, such as significant market swings, geopolitical risks, and interest rate changes driven by the fiscal and trade policies of other countries.

d) Consumer price index (CPI)

The benefit liabilities of the WCB are partially indexed to the CPI annually – the benefit provides that payments to pensioners and benefit recipients be indexed to the extent of the CPI minus 1 percent to a maximum of 4 percent in any given year. The risk of a significant rise in the CPI is such that a percentage point rise above the current CPI level translates to an approximate $85-million increase in benefit liabilities. While the CPI has been fairly benign in recent years, the risk exists that the CPI may rise due to unforeseen economic developments (such as rising oil prices).

Forward-looking discussion

Funding stability and premium rate competitiveness are important financial attributes valued by the WCB's stakeholders. These attributes reflect a combination of the key variables of the workers' compensation system: injury rate, cost of claims, investment returns, the CPI, and workforce growth.

These variables are forecasted annually using simulations that provide some insight into future funding levels and rates.

In conjunction with the rate-making process for the year 2005, a Monte Carlo statistical approach[1] was used to generate 10,000 simulations of financial outcomes to 2008, based on all possible combinations of key assumptions. The results indicate an expected funding level (smoothed basis) at the end of 2008 of 105 percent, with a 25 percent chance of being below full funding and a 25 percent chance of being above

[1] The Monte Carlo method is a statistical technique that involves modelling the output of a mathematical process using random sample inputs.

111 percent funded. The circumstances that would lead to being below 100 percent funding are primarily a high CPI with low investment returns. Secondarily, these simulations also pointed to an expected premium rate of 1.84 in 2008 (1.91 in 2004) with a 25 percent chance of being above 1.92.

The following key assumptions were incorporated into the simulation model:

- Average annual CPI growth of 2.5 percent with a corresponding annual wage rate growth of 3.5 percent
- Average workforce growth of 1.8 percent annually with no change in the injury rate
- Average annual investment returns (market) of 6 percent with a standard deviation of 7 percent
- Average annual unfinalled claim cost index reduction of 1 percent

While simulation results do not necessarily foretell the future, they do provide the parameters around which qualitative assessments of likely future results can be made. Continuous monitoring of leading indicators for these key drivers of financial performance is an ongoing activity carried out by the WCB.

Responsibility for Financial Reporting

Management of the Workers' Compensation Board is responsible for the preparation of the accompanying financial statements in accordance with Canadian generally accepted accounting principles. These financial statements include some amounts based upon management's best estimates and judgments. Any financial information contained elsewhere in the annual report conforms to these financial statements.

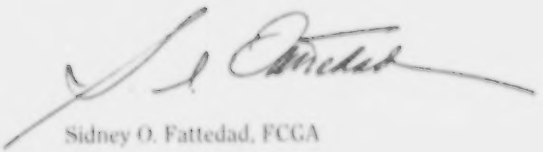
Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss.

The Internal Audit Department performs audits designed to test the adequacy and consistency of the WCB's internal controls, practices, and procedures.

David Anderson
President and Chief Executive Officer

The Auditor General of British Columbia, the external auditor of the Workers' Compensation Board, has performed an independent audit of the financial statements of the WCB in accordance with Canadian generally accepted auditing standards. The auditor's report outlines the scope of this independent audit and his opinion on the financial statements of the WCB.

The firm of Eckler Partners Ltd. has been appointed as the independent consulting actuaries to the WCB. Their opinion on the adequacy and appropriateness of the valuation of the WCB's benefit liabilities is presented as a part of these financial statements.



Sidney O. Fattedad, FCGA
Chief Financial Officer

March 11, 2005

Report of the Auditor General of British Columbia

To the Board of Directors of the Workers' Compensation Board, and

To the Minister of Skills Development and Labour, Province of British Columbia:

I have audited the balance sheet of the *Workers' Compensation Board* as at December 31, 2004 and the statements of operations, changes in unappropriated balance/(unfunded liability) and accumulated other comprehensive income, and cash flows for the year then ended. These financial statements are the responsibility of the Workers' Compensation Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *Workers' Compensation Board* as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Wayne Strelioff

Wayne Strelioff, FCA
Auditor General

Victoria, British Columbia
March 11, 2005

Balance Sheet
As at December 31, 2004 ($ thousands)

Exhibit 1

	2004	2003
Assets		
Receivables (Note 4)	508,135	458,703
Portfolio investments (Note 5)	9,203,486	7,879,525
Property, plant, and equipment (Note 6)	139,686	142,180
	9,851,307	**8,480,408**
Liabilities, reserves, unappropriated balance, and accumulated other comprehensive income		
Payables and accruals	201,604	202,895
Benefit liabilities (Notes 7 and 15)	8,412,023	8,269,650
Total liabilities	8,613,627	8,472,545
Reserves (Note 10)	260,000	260,000
Unappropriated balance/(unfunded liability) (Exhibit 3)	372,314	(252,137)
Accumulated other comprehensive income (Exhibit 3)	605,366	-
	9,851,307	**8,480,408**

The accompanying notes are an integral part of the financial statements.

David Anderson
President and Chief Executive Officer

Sidney O. Fattedad, FCGA
Chief Financial Officer

Statement of Operations
For the Year Ended December 31, 2004 ($ thousands)

Exhibit 2

	2004	2003
Income		
Premiums (Note 11)		
Rateable employers	1,105,094	1,019,185
Self-insured employers	58,742	52,140
Levy for injury-reduction initiatives	11,353	6,058
	1,175,189	**1,077,383**
Investments (Note 5)		
Earned income	275,009	276,265
Amortization of investment gains	-	219,672
Realized gains on investments	213,164	-
Unrealized (losses) on held-for-trading[1] investments	(32,657)	-
	455,516	495,937
Total income	**1,630,705**	**1,573,320**
Expenses		
Claim costs (Note 8)		
Short-term disability	205,206	199,508
Long-term disability	459,094	691,555
Survivor benefits	70,996	76,370
Health care	299,763	170,345
Vocational rehabilitation	15,544	34,492
Claim administration	165,262	191,662
Legislative changes	-	(75,546)
	1,215,865	**1,288,386**
Operating costs (Note 9)		
Administration costs	260,473	260,656
Amortization of property, plant, and equipment	28,960	29,150
Funding for injury-reduction initiatives	11,353	6,057
	300,786	295,863
Less: Claim administration costs	165,805	165,504
	134,981	**130,359**
Total expenses	**1,350,846**	**1,418,745**
Surplus from operations	**279,859**	**154,575**
Other comprehensive income		
Unrealized gains on available-for-sale[2] investments (Note 5)	390,199	-
Total comprehensive income	**670,058**	**154,575**

[1] Held-for-trading investments are acquired mainly for the purpose of selling the investments in the near term.

[2] Available-for-sale investments are neither held-for-trading investments nor investments with fixed maturity that an entity has a positive intention to hold to maturity.

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Unappropriated Balance/(Unfunded Liability) and Accumulated Other Comprehensive Income
For the Year Ended December 31, 2004 ($ thousands)

Exhibit 3

	2004	2003
Unappropriated balance/(unfunded liability) – January 1	(252,137)	(406,712)
Transitional adjustments (Note 3)		
Unrecognized net realized gains from prior years	317,672	-
Unrecognized net unrealized gains on held-for-trading investments from prior years	75,133	-
Reclassification of net unrealized gains included in the opening balance of accumulated other comprehensive income	(48,213)	-
Unappropriated balance/(unfunded liability) – January 1 restated	92,455	-
Surplus from operations (Exhibit 2)	279,859	154,575
Unappropriated balance/(unfunded liability) – December 31	**372,314**	**(252,137)**
Accumulated other comprehensive income – January 1		
Transitional adjustment (Note 3)		
Unrecognized net unrealized gains on available-for-sale investments from prior years	215,167	-
Accumulated other comprehensive income – January 1 restated	215,167	-
Unrealized gains on available-for-sale investments (Note 5)	390,199	-
Accumulated other comprehensive income – December 31	**605,366**	-

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows
For the Year Ended December 31, 2004 ($ thousands)

Exhibit 4

	2004	2003
Cash flow from operating activities:		
Cash received from:		
Employers	1,113,472	1,044,239
Dividends and interest	247,293	255,224
	1,360,765	1,299,463
Cash paid to:		
Claimants or third parties on behalf of claimants	907,688	882,691
Employees and vendors for goods and services	261,698	259,064
	1,169,386	1,141,755
Cash from operating activities	191,379	157,708
Cash flow from investing activities:		
Net (purchase) sale of fixed-term investments	(57,623)	119,910
Net (purchase) of equity investments	(194,716)	(380,072)
Net sale of derivative financial instruments	83,573	119,303
Net (purchase) of property, plant, and equipment	(25,459)	(18,882)
Cash (used in) investing activities	(194,225)	(159,741)
Net (decrease) in cash and cash equivalents	(2,846)	(2,033)
Cash and cash equivalents – January 1	(19,386)	(17,353)
Cash and cash equivalents – December 31	**(22,232)**	**(19,386)**

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 1 — Nature of Operations

The Workers' Compensation Board (WCB) administers the *Workers Compensation Act* (the Act), enacted by the British Columbia Legislature in 1917. The Act was amended by the *Workers Compensation Amendment Act* (Bill 49 and Bill 63), and by the *Skills Development and Labour Statutes Amendment Act* (Bill 37).

The primary functions of the WCB under the Act are promotion of occupational health and safety; compensation for occupational injury, death, or disease; rehabilitation of injured workers; collection of the funds necessary for its operations from employers covered under the Act; and management of portfolio investments in compliance with the *Financial Administration Act*.

Premium rates are established at a level to recover from established classes of employers' current and future costs for claims and operations arising from current claims, subject to a capping policy to moderate excessive changes in rates from year to year. The WCB may also levy a special premium when it is considered appropriate.

The WCB does not receive government funding or other assistance. The funding strategy of the WCB is to be fully funded, with any balances in the unfunded liability or unappropriated balance to be amortized on a five-year averaging basis, through adjustments to future premium rates.

Note 2 — Significant Accounting Policies

(a) Portfolio Investments

Effective the fiscal year ending December 31, 2004, the WCB has adopted the recommendations of section 3855 (Financial Instruments – Recognition and Measurement) and section 1530 (Comprehensive Income) of the Canadian Institute of Chartered Accountants' (CICA) handbook.

The primary impact of this change is the fair value reporting of investments in these financial statements. All fixed-term, equity, and real estate investments are designated as available-for-sale investments and are stated at fair value. The amounts by which fair values for these investments differ from costs represent unrealized gains and losses and are recognized in other comprehensive income. Derivative financial instruments, although also stated at fair value, are classified as held-for-trading, with changes in fair value reflected in net income as unrealized gains and losses. All realized gains and losses are recognized in net income in the year of disposition. The WCB regularly assesses the carrying value of its investment portfolios against market value. When it is deemed that an investment portfolio has suffered a loss in value that is other than a temporary decline, then a provision for market value impairment is included in investment income to adjust the carrying value of the portfolio to its estimated realizable value.

The WCB invests directly in both long and short fixed-term investments, and derivative financial instruments. Fixed-term investments having terms greater than one year consist primarily of bonds of the Government of Canada, various provinces, Crown corporations, and high-quality corporate bonds, as well as real return, fixed-term mortgage, and global bonds. Those having terms less than or equal to one year consist primarily of treasury bills and other money market instruments. The WCB's investment in derivative financial instruments, which are financial contracts whose values change in response to changes in the values of the underlying securities, reference rates, or indices, include forward foreign exchange contracts and interest rate swaps. The WCB also invests indirectly in publicly traded equities, real estate, currency overlay, and private placements through pooled fund products managed by the British Columbia Investment Management Corporation (bcIMC).

Investments denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. The foreign currency exchange gains and losses for these investments are recorded in the same manner as other investment gains and losses.

The fair value of investments is market value. The market value of publicly traded investments is based on quoted prices while that of privately held debt, equity, and real estate investments is based on discounted cash flow or independent appraisals. The market value of forward foreign exchange contracts is determined by the net unrealized gains or losses, as well as premiums paid or received.

Note 2 — continued

(b) Property, Plant, and Equipment

Property, plant, and equipment are reported at cost and are depreciated on a straight-line basis over their estimated useful lives.

The rates used are as follows:

Buildings	20 to 40 years
Equipment	3 to 10 years
Furniture	10 years
Vehicles	5 years
Operating systems	5 to 7 years

Operating systems represent the direct costs incurred in developing new systems that are deferred and amortized on a straight-line basis from the date of implementation.

(c) Benefit Liabilities

The WCB determines its liabilities at the end of each year for all injuries that have taken place to that time.

The WCB appoints a consulting actuary who examines the benefit liabilities and the underlying assumptions and methods, and issues a report thereon to the WCB. The opinion of the consulting actuary is appended to these financial statements.

The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for claims that occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by current legislation, policies, and/or administrative practices in respect of existing claims.

They consist of capitalized values for pension awards already made, plus a provision for unfinalled claims (i.e., for future payments on claims that have not been finalized to date). The benefit liabilities have been discounted to present value, using an underlying real interest rate of 3.5 percent, adjusted to 4.5 percent for those benefits that were affected by 2002 and 2003 legislative changes and inflation adjustments. Benefit liabilities include the estimated future expense of administering existing claims.

As in prior years, the benefit liabilities make no provision for future claims related to long-latency occupational diseases, because the determination of such claims cannot be reasonably estimated. However, a $200-million reserve was established in prior years to mitigate future claims relating to such diseases.

(d) Reserves

The $40-million Accident Fund Special Reserves established pursuant to section 39 of the *Workers Compensation Act* are:

- Contingent Reserve [section 39(1)(b)], which provides a reserve in aid of industries or classes which may become depleted or extinguished
- Disaster Reserve [section 39(1)(d)], which provides a reserve to meet the loss arising from a disaster or other circumstances that the WCB considers unfair burdens to the employers in a particular class
- Enhancement Reserve [section 39(1)(e)], which provides a reserve for payment of that portion of a disability enhanced by reason of a pre-existing disease, condition, or disability

Claims deemed by the WCB to be covered by these reserves are charged to current operations but are prorated to the various employer classes rather than being charged directly to any specific class.

The WCB established a $200-million Latent Occupational Disease Reserve relating to certain occupational diseases that may have occurred in the current or prior years but may not be reported or recognized for a number of years due to the extended latency periods of such diseases. A $20-million Earthquake Disaster Reserve was also established to provide for claims from workers who may be injured in their course of employment during an earthquake disaster.

(e) Premium Income and Accrued Premiums Receivable

As a significant portion of premium income for the year is not received until after the year-end, the amount shown is an estimate based on statistical data. The difference between the estimate and the actual income received is credited or charged to income in the following year. Historically, the difference has not been material.

Note 2 — continued

(f) Self-insured Employers

Certain employers are self-insured. These employers are billed on a monthly basis for payments of short-term disability, health care, vocational rehabilitation, and for the capitalized values of long-term disability and survivor benefits, together with their proportionate share of administrative costs.

The receivables in Note 4 represent a provision for future claim costs of self-insured classes, for which the final settlement has not been determined; it also includes unpaid current billings.

The WCB also acts as the agent of the Government of Canada for the payment of compensation to federal employees in British Columbia. Amounts paid are recovered from the Government of Canada on a monthly basis.

(g) Use of Accounting Estimates

In accordance with Canadian generally accepted accounting principles, the WCB's financial statements include WCB management's best estimates of the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of income and expenses during the reporting periods presented. Actual results may differ from management's estimates by significant amounts. Claim benefit liabilities and accrued premiums are the most significant items that reflect estimates in these financial statements.

Note 3 — Change in Accounting Policy ($ thousands)

In 2005, the CICA will issue new accounting standards on sections 3855 (Financial Instruments – Recognition and Measurement) and 1530 (Comprehensive Income). The WCB has elected early adoption of these standards for its fiscal year ending December 31, 2004 for financial reporting purposes.

In prior years, all fixed-term investments were stated at amortized costs while equities, real estate, private placements, currency overlay, and derivative financial instruments were stated at fair value less deferred realized and unrealized gains and losses. Realized investment gains and losses for fixed-term investments having terms less than or equal to one year were recognized in net income in the year of disposition. For all other portfolio investments (i.e., long-term bonds, all WCB pooled funds, and derivative financial instruments), realized and unrealized gains and losses were deferred and amortized into net income on a straight-line basis over a five-year period; this accounting practice is herein referred to as smoothed basis accounting.

Beginning in 2004, all portfolio investments are stated at fair value, and all portfolio investments have been designated as available-for-sale, except for derivative financial instruments, which are classified as held-for-trading. Investment gains and losses, both realized and unrealized, are no longer deferred and smoothed into net income over a five-year period. All realized gains and losses are recognized into net income in the year when the sale takes place. Unrealized gains and losses for available-for-sale investments (all investments except derivatives) are included in other comprehensive income, while unrealized gains and losses for held-for-trading investments (derivatives only) are recognized in operating income.

In accordance with transitional rules resulting from this change in accounting policy, one-time transitional adjustments have been applied to the opening 2004 unfunded liability (see Exhibit 3) as follows:

- An adjustment of $317,672 to recognize net realized gains from investment sales that took place in prior years, previously deferred as an asset or liability under the former accounting policy;
- An adjustment of $75,133 to recognize net unrealized gains on held-for-trading instruments, previously deferred as an asset or liability under the former accounting policy; and
- An adjustment of ($48,213) to reclassify net unrealized gains on available-for-sale instruments previously charged to surplus/(deficit) from operations under the former accounting policy. This adjustment is necessary to ensure that the unappropriated balance contains only realized gains/(losses) and the opening balance of accumulated other comprehensive income contains all unrealized gains/(losses). Other entities may have chosen to not make this adjustment, and instead, adjust the surplus/(deficit) as the assets with recognized unrealized gains/(losses) are sold.

Note 3 — continued

Similarly, a one-time transitional adjustment has been included as the opening balance of accumulated other comprehensive income to account for the difference between the carrying value and the fair value of available-for-sale instruments as at January 1, 2004. The adjustment includes the reclassification of net gains previously recognized in surplus/(deficit) from operations of $48,213 and previously unrecognized unrealized net gains from prior years of $166,954.

It should be noted that although the WCB has adopted the recommendations of section 3855 for financial reporting purposes, the WCB will continue to use the smoothed basis investment accounting policies as described above for purposes of operating its business, particularly in determining its funding policies. Prior to adoption of the new section 3855 accounting standards, both the WCB's business practices and accounting policies were based on a standard of practice established for all the workers' compensation organizations in Canada by an independent study conducted in the early 1990s. This standard of practice takes into account the unique business requirements of the Canadian workers' compensation system, including the need for pricing stability, smoothing of short-term deviations from the secular trend, and equity among generations of stakeholders, in recommending the most appropriate accounting policies for all the Canadian workers' compensation organizations. Since the WCB's business and operational requirements remain unchanged (irrespective of the change in financial reporting requirement), the WCB will continue to use the smoothed basis accounting policies in calculating the accounting rate of return, unappropriated balance, and accident fund ratio for purposes of operating its business.

The table below illustrates the two perspectives of the WCB's 2004 financial results, depending on whether the results are to be used for financial reporting purposes or to operate its business.

	2004 Financial Results		
	On GAAP Basis	On Funding Policy Basis[1]	Smoothing Differences[2]
BALANCE SHEET (Exhibit 1)			
Assets			
Receivables	508,135	508,135	-
Portfolio investments	9,203,486	8,313,547	889,939
Property, plant, and equipment	139,686	139,686	-
	9,851,307	8,961,368	889,939
Liabilities, reserves, unappropriated balance, and accumulated other comprehensive income			
Payables and accruals	201,604	201,604	-
Benefit liabilities	8,412,023	8,412,023	-
Total liabilities	8,613,627	8,613,627	-

[1] These financial results determine the amount that is incorporated in the rate-setting process calculated in the year following the date of the financial results.

[2] Smoothing adjustments restate the values of the financial results to the pre-section 3855 values. They represent the amounts that will be factored into the rate-setting process in future years.

Note 3 — continued

	2004 Financial Results		
	On GAAP Basis	On Funding Policy Basis[1]	Smoothing Differences[2]
Reserves	260,000	260,000	-
Unappropriated balance	372,314	87,741[3]	284,573
Accumulated other comprehensive income	605,366	-	605,366
	9,851,307	8,961,368	889,939
STATEMENT OF OPERATIONS (Exhibit 2)			
Income			
Premiums	1,175,189	1,175,189	-
Investments	455,516	515,535	(60,019)
	1,630,705	1,690,724	(60,019)
Expenses			
Claim costs	1,215,865	1,215,865	-
Operating costs	134,981	134,981	-
	1,350,846	1,350,846	-
Surplus from operations	279,859	339,878	(60,019)
Other comprehensive income	390,199	-	390,199
Total comprehensive income	670,058	339,878	330,180

[1] These financial results determine the amount that is incorporated in the rate-setting process calculated in the year following the date of the financial results.

[2] Smoothing adjustments restate the values of the financial results to the pre-section 3855 values. They represent the amounts that will be factored into the rate-setting process in future years.

[3] This fund balance represents the amount that is incorporated into the rate-setting process calculated in the year following the date of the financial results.

Note 4 — Receivables ($ thousands)

	2004	2003
Premiums	8,238	11,973
Accrued premiums	251,894	220,066
Self-insured employers – receivable	206,255	196,156
Premiums receivable	466,387	428,195
Self-insured employers – deposits	(12,527)	(15,527)
Accrued benefit asset (Note 13)	51,409	41,796
Other receivables	2,866	4,239
	508,135	**458,703**

Note 5 — Portfolio Investments ($ thousands)

(a) Portfolio Investments

	2004	2003[1]
Fixed-term investments, over one year, market value		
Government of Canada and federal Crown corporations	966,889	785,912
Other Canadian provinces and agencies	441,211	528,129
Corporate bonds	531,362	520,748
Long bonds	446,080	391,122
Real-return bonds	561,614	470,331
Global bonds	345,587	325,690
Fixed-term mortgages	172,066	160,848
(amortized cost: 2004 – 3,298,548; 2003 – 3,090,434)	3,464,809	3,182,780
Fixed-term investments, under one year, market value		
Canadian short-term investments	582,977	622,822
Global short-term investments	-	30,049
	582,977	652,871
Accrued interest	23,722	24,908
Equities, market value		
Canadian Index Fund	1,003,927	792,625
Active Canadian Equities	1,246,230	985,133
U.S. Index Fund	139,929	350,299
Active U.S. Equities	563,757	540,392
International Equities	1,265,296	1,147,670
	4,219,139	3,816,119
Real estate, market value	630,287	516,385
Foreign exchange forward contract	58,070	90,726
Private placement pool, market value	232,432	159,408
Currency overlay, market value	14,282	15,473
Bank indebtedness	(22,232)	(19,386)
	9,203,486	8,439,284
Fair value restatement adjustment	-	(92,346)[2]
Deferred investment losses/(gains)	-	(467,413)
	9,203,486	**7,879,525**

[1] All 2003 figures have been restated to reflect the investments' fair values at December 31, 2003.

[2] For comparability purposes, the fixed-term investments, which were stated at amortized cost in the 2003 financial statement, are now stated at their fair values. The amount by which their fair values differ from their amortized costs is $92,346.

Note 5 – continued

	2004	2003
(b) Investment Income		
Earned for the year	275,009	276,265
Amortization of investment gains	-	219,672
Realized gains on investments	213,164	-
Unrealized (losses) on held-for-trading investments	(32,657)	-
	455,516	**495,937**
(c) Gains (Losses) on Portfolio Investments		
Realized gains on all investments sold during the year		
Fixed-term investments	57,071	-
Equities, real estate, currency overlays, and other pooled funds	72,520	-
Derivative financial instruments	83,573	-
	213,164	**-**
Unrealized (losses) on held-for-trading investments		
Derivative financial instruments	(32,657)	-
	(32,657)	**-**
Unrealized gains on available-for-sale investments		
Fixed-term investments	114,492	-
Equities, real estate, currency overlays, and other pooled funds	405,298	-
Reclassification adjustments for gains and losses included in net income	(129,591)	-
	390,199	**-**

Note 5 — continued

While the new accounting policies have been adopted for financial reporting purposes, the WCB will continue to operate its business based on financial results derived using the smoothed basis accounting policies; the differences between the pre- and post-section 3855 accounting policies and their impact on the WCB's financial results are described in greater detail in Note 3 of this financial statement.

Investment Risk Management

The WCB currently invests directly in fixed-income instruments, and indirectly, through the use of pooled funds managed by the British Columbia Investment Management Corporation (bcIMC), in publicly traded equities, real estate, mortgages, and private placements. It also earns additional income by participating in securities lending arrangements, through bcIMC, whereby securities are loaned to and secured by borrowers and approved by the custodian, RBC Global Services. As of December 31, 2004, secured loans amounted to $449,384 (2003 – $343,488).

Credit Risk Management

Credit risk on financial instruments arises from the possibility that a counter-party to an instrument fails to meet its obligations. Therefore, all issuers of debt instruments, including government, non-government, and other counter-parties, must have a credit rating of at least BBB in order to be eligible for consideration by the WCB as an investment. Policy guidelines have been established to ensure that the credit ratings of fixed-income instruments do not fall below predetermined levels.

Foreign Exchange Risk Management

The WCB has investments denominated in foreign currencies, which are exposed to currency risk. To mitigate this risk, the WCB entered into forward foreign exchange contracts, which represent commitments to exchange two currencies at a specified future date based on a rate agreed to by both parties at the inception of the contract, for the sole purpose of hedging foreign currency transactions. The notional amount of forward foreign exchange contracts, which is defined as the contractual amounts on which payments are made, amounted to $816,317 at December 31, 2004 (2003 – $1,098,305). Their related replacement value at December 31, 2004 was $58,070 (2003 – $90,726).

Interest Rate Risk Management

Fluctuations in interest rates can impact the market value of the fixed-income portfolio, as well as shift investor preferences among asset classes. Interest rate risk is minimized by managing the duration of the fixed-income portfolio within predetermined prudent policy limits. Summarized below is the remaining term to maturity of the WCB's outstanding fixed-term investments.

Note 5 – continued

	Remaining Term to Maturity					
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Total 2004	Total 2003
Government bonds[1]						
Fair value	-	884,182	440,080	429,424	1,753,686	1,639,731
Cost	-	873,457	427,380	402,065	1,702,902	1,596,537
Corporate bonds						
Fair value	-	342,906	159,255	29,202	531,363	520,748
Cost	-	335,598	152,777	26,222	514,597	505,462
Long bonds						
Fair value	-	-	-	446,080	446,080	391,122
Cost	-	-	-	456,740	456,740	421,937
Real-return bonds						
Fair value	-	-	-	561,614	561,614	470,331
Cost	-	-	-	456,766	456,766	410,209
Fixed-term mortgages						
Fair value	9,798	99,498	52,895	9,875	172,066	160,848
Cost	9,823	96,845	51,199	9,676	167,543	156,289
Total						
Fair value	9,798	1,326,586	652,230	1,476,195	3,464,809	3,182,780
Cost	9,823	1,305,900	631,356	1,351,469	3,298,548	3,090,434

[1] Government bonds include globals and supranationals.

The average yield reflects the yield to maturity, which is the discount rate that makes the present value of future cash flows of each fixed-term investment equal to its carrying value. The average yield of these fixed-term investments, excluding real return bonds, as at December 31, 2004 is 4.6 percent (2003 – 4.8 percent).

Real Estate Risk Management

Risk in the real estate portfolio is managed through diversification across real estate types and locations. Adverse impacts in any one segment of the market or geographic location are minimized by having holdings diversified across residential, commercial, industrial, and development markets.

Note 6 – Property, Plant, and Equipment ($ thousands)

	2004				2003
	Cost	Amortization	Accumulated Amortization	Net Book Value	Net Book Value
Land	7,260	-	-	7,260	7,314
Buildings	76,453	1,934	38,292	38,161	40,036
Furniture, equipment, and vehicles	90,518	6,376	74,500	16,018	15,565
Operating systems	164,407	20,650	86,160	78,247	79,265
	338,638	**28,960**	**198,952**	**139,686**	**142,180**

Note 7 – Benefit Liabilities ($ thousands)

	2004							2003
	Short-term Disability	Long-term Disability	Survivor Benefits	Health Care	Vocational Rehabilitation	Claim Administration	Total	Total
Balance – January 1	367,236	5,284,143	768,603	1,053,909	314,845	478,914	8,269,650	8,029,458
Add claim costs:								
Current year's injuries	231,046	218,727	26,609	203,866	60,655	152,922	893,825	841,047
Prior years' injuries	(25,840)	240,367	44,387	95,897	(45,111)	12,340	322,040	522,885
Legislative changes	-	-	-	-	-	-	-	(75,546)
	205,206	459,094	70,996	299,763	15,544	165,262	1,215,865	1,288,386
Less claim payments made:								
Current year's injuries	123,797	744	1,039	71,395	580	72,089	269,644	249,814
Prior years' injuries	110,287	363,288	59,639	129,835	47,083	93,716	803,848	798,380
	234,084	364,032	60,678	201,230	47,663	165,805	1,073,492	1,048,194
Balance – December 31	338,358	5,379,205	778,921	1,154,442	282,726	478,371	8,412,023	8,269,650
Represented by:								
Provision for unfinalled claims	338,358	2,284,711	66,705	1,154,442	282,726	478,371	4,605,313	4,649,082
Pension awards, capitalized values	-	3,094,494	712,216	-	-	-	3,806,710	3,696,114
Legislative changes	-	-	-	-	-	-	-	(75,546)
	338,358	**5,379,205**	**778,921**	**1,154,442**	**282,726**	**478,371**	**8,412,023**	**8,269,650**

Note 7 — continued

The following is a reconciliation of the claim benefit liabilities ($ thousands):

	2004	2003
Balance at the beginning of year	8,269,650	8,029,458
Add:		
Provision for current year's injuries	624,181	591,233
Interest cost	461,260	391,414
Prior years' claim cost experience (lower)/ higher than expected	(139,220)	131,471
	946,221	1,114,118
Deduct:		
Payments for prior years' injuries	803,848	798,380
Changes to legislation		75,546
	803,848	873,926
Balance at end of year	**8,412,023**	**8,269,650**

Note 8 — Changes in Actuarial Valuations of Benefit Liabilities ($ thousands)

	2004			2003		
	Claim Costs	***Less:* Benefit Payments**	**Changes in Actuarial Valuations of Benefit Liabilities**	**Claim Costs**	***Less:* Benefit Payments**	**Changes in Actuarial Valuations of Benefit Liabilities**
Short-term disability	205,206	234,084	(28,878)	199,508	229,223	(29,715)
Long-term disability	459,094	364,032	95,062	691,555	357,464	334,091
Survivor benefits	70,996	60,678	10,318	824	59,607	(58,783)
Health care	299,763	201,230	98,533	170,345	176,287	(5,942)
Vocational rehabilitation	15,544	47,663	(32,119)	34,492	60,109	(25,617)
Balance before claim administration	1,050,603	907,687	142,916	1,096,724	882,690	214,034
Claim administration	165,262	165,805	(543)	191,662	165,504	26,158
	1,215,865	**1,073,492**	**142,373**	**1,288,386**	**1,048,194**	**240,192**

Note 9 — Operating Costs ($ thousands)

	2004						2003
	Prevention	Customer Services[1]	Information Technology and Facilities	Corporate Services	WCAT, Review Division, and Advisers[2]	Total	Total[3]
Salaries and employee benefits	26,130	91,542	20,618	43,185	8,717	190,192	183,571
Amortization of property, plant, and equipment, and PC leases	1,306	11,919	10,980	8,013	159	32,377	32,041
WCAT and advisers	-	-	-	-	26,154	26,154	24,965
Office expenses and communication	1,513	4,381	10,215	2,073	219	18,401	17,331
Building expenses	85	1,118	7,483	824	37	9,547	9,781
Consulting fees	1,089	1,396	1,783	4,909	128	9,305	9,181
Sessional doctor fees	1	4,672	-	5	18	4,696	5,442
Travel and vehicle expenses	2,120	1,693	281	288	18	4,400	4,383
Injury-reduction initiatives	11,352	1	-	-	-	11,353	6,057
Other administration expenses	2,447	7,322	1,110	15,506	1,267	27,652	33,689
Cost recoveries	(2,037)	(13,384)	(5,900)	(11,969)	(1)	(33,291)	(30,578)
	44,006	110,660	46,570	62,834	36,716	300,786	295,863
Less:							
Claim administration costs	-	92,270	22,726	24,377	26,432	165,805	165,504
	44,006	**18,390**	**23,844**	**38,457**	**10,284**	**134,981**	**130,359**

[1] The WCB underwent a significant reorganization in 2004 to better serve its customers, the workers and employers of British Columbia. Included in this business realignment is the concentration of all functions that directly service the WCB's customers under the umbrella of two major divisions at the WCB: Worker and Employer Services, and Program Design.

[2] The WCB appeal structure was amended in 2003, reducing it from three bodies to two bodies, one internal (Review Division) and one external to the WCB (Workers' Compensation Appeal Tribunal or WCAT). It cost the WCB $8.9 million to operate its Review Division in 2004 compared with $6.3 million in 2003.

[3] The 2003 figures have been restated to incorporate the legislative change implementation costs, which totalled $7.5 million, into each individual expense item. The comparable total cost in 2004 was $1.9 million.

Note 10 – Reserves ($ thousands)

	2004				2003
	Contingent	Disaster	Enhancement	Total	Total
(a) Special Reserves costs					
Short-term disability	-	-	26,794	26,794	50,780
Long-term disability	-	-	63,553	63,553	63,918
Survivor benefits	-	-	2	2	47
Health care	-	-	14,087	14,087	22,130
Vocational rehabilitation	-	-	7,624	7,624	17,388
	-	-	**112,060**	**112,060**	**154,263**

The Special Reserves balance at December 31 is represented by:

	2004	2003
Contingent	2,500	2,500
Disaster	16,500	16,500
Enhancement	21,000	21,000
Balance – December 31	40,000	40,000
(b) Latent Occupational Disease Reserve	200,000	200,000
(c) Earthquake Disaster Reserve	20,000	20,000
	260,000	**260,000**

Note 11 — Premiums ($ thousands)

	2004	2003
Rateable classes	1,069,337	1,089,051
Abatement of pre-2000 subclass surplus[1]	(58,358)	(59,572)
Interest on pre-2000 subclass surplus[1]	(8,199)	(13,400)
Levy for injury-reduction initiatives	11,353	6,058
Capping of rate changes and amortization of balance[2]		
Capping of rate changes	(25,172)	(34,408)
Amortization of balance	122,463	31,979
	97,291	(2,429)
Rateable employers – net	1,111,424	1,019,708
Self-insured employers	58,742	52,140
Penalties	5,023	5,535
	1,175,189	**1,077,383**

[1] Since the WCB implemented its new classification and experience rating systems in 2000, employers in former subclasses with a surplus at December 31, 1999 (total of $431 million) have had their surpluses abated back to them through the rate-setting process generally over a five-year period commencing in 2000. The total amount abated to employers in 2004 is $58 million relating to the subclass surpluses ($60 million in 2003), plus $8 million in interest earned on the subclass surpluses ($13 million in 2003).

[2] The capping of rate changes represents the effect of the WCB's policy to limit changes to the rates of any rate group from year to year. The amortization of the balance represents the effect of the planned amortization of the projected surplus or deficit of each rate group at the beginning of each appropriate year.

Note 12 – Gain and Loss Analysis ($ thousands)

The following is a reconciliation of the variances from the actuarial assumptions for the rateable classes (rounded to the nearest $1 million).

	2004	2003
(Unfunded liability) – January 1	(252,000)	(407,000)
Current year's excess (deficiency) – rateable employers		
Current year's claim and operating costs[1]		
Estimated	1,072,000	1,093,000
Actual	(988,000)	(932,000)
	84,000	161,000
Premium income adjustments		
Abatement and interest on pre-2000 subclass surplus	(67,000)	(73,000)
Amortization of balance	122,000	32,000
Capping of premium rate changes	(25,000)	(34,000)
Prior years' adjustments and miscellaneous	14,000	7,000
	44,000	(68,000)
Changes in legislation		
Impact of legislative changes		73,000
Prior years' experience gain/(loss)		
Short-term disability	47,000	44,000
Long-term disability	64,000	(231,000)
Survivor benefits	(1,000)	(10,000)
Health care	(35,000)	55,000
Vocational rehabilitation	60,000	42,000
Claim administration	13,000	(21,000)
Miscellaneous items	23,000	9,000
	171,000	(112,000)

[1] The current year's claim and operating costs line shown as "estimated" represents the estimate for the cost of current year's injuries which was incorporated into the premium rates set for that year for rateable employers. The "actual" line represents the actual cost of the current year's injuries as estimated at the end of that year. The difference line thus provides a measure of the accuracy of the cost provision in the premium rate.

Note 12 — continued

	2004	2003
Investment income excess with respect to consumer price index plus underlying real interest assumption of 3.5%	41,000	101,000
Unappropriated balance (unfunded liability) — December 31 — on funding basis[1]	**88,000**	**(252,000)**
Smoothing differences[2]	284,000	
Unappropriated balance (unfunded liability) — December 31 — on GAAP basis	**372,000**	

[1] This fund balance represents the amount that is incorporated into the rate-setting process calculated in the year following the date of the financial results.

[2] Smoothing difference represents the variance between the financial results on the fair value or GAAP basis and on the smoothed or funding basis. It represents the amount that will be factored into the rate-setting process in future years.

Note 13 — Employee Benefit Plans ($ thousands)

The WCB has several employee benefit plans, which provide pension and other post-employment benefits to its employees.

The WCB and its employees contribute to the Workers' Compensation Board Superannuation Plan, a defined benefit plan. The plan provides pensions based on length of service and best five-year average earnings. For funding purposes, and to determine the contribution rate, the plan requires an actuarial valuation of the plan's liabilities at intervals of not more than three years. The last valuation was carried out as at March 31, 2003. In addition, the WCB also has an unfunded obligation relating to basic medical and extended health care post-retirement benefits that it provides to eligible WCB retirees; WCB employees are not required to contribute toward these health care benefits.

The cost of these retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, compensation level increases, retirement ages of employees, and expected health care costs. Pension plan assets are recognized at fair value and the expected return is also based on the fair value of its assets. The March 31, 2003 funding valuation results were used to derive the projected liabilities at year-end.

Note 13 — continued

The significant actuarial assumptions adopted in valuing the WCB's benefit plan expenses are as follows:

	Pension Plan		Other Benefit Plans	
	2004	2003	2004	2003
Discount rate	6.00%	6.25%	6.00%	6.25%
Expected long-term rate of return on plan assets	6.00%	6.25%	-	-
Rate of compensation increase/health care cost increase	3.00%	3.25%	5.00%	5.25%
Average remaining service period of active employees expected to receive benefits under the pension plan (years)	10.6 years	10.6 years	10.6 years	10.6 years

Aggregated information about the WCB's employee benefit plans is summarized below:

	Pension Plan		Other Benefit Plans	
	2004	2003	2004	2003
Accrued benefit obligation – December 31	662,809	600,247	86,560	68,056
Fair value of plan assets – December 31	710,380	641,995	-	-
Funded status – plan surplus/(deficit) – December 31	**47,571**	**41,748**	**(86,560)**	**(68,056)**
Unamortized net actuarial (gain)/loss – December 31	83,869	93,418	25,649	14,271
Unamortized transitional (asset) – December 31	(80,031)	(93,370)	-	-
Accrued benefit asset/(liability) – December 31	**51,409**	**41,796**	**(60,911)**	**(53,785)**
Employee contributions	9,737	9,635	-	-
Employer contributions	12,919	9,511	-	-
Net benefit plan expense/(income)				
Employer current service cost	15,237	13,665	3,462	3,566
Interest cost on accrued benefit obligation	37,722	35,266	4,319	4,245
Expected return on plan assets	(40,258)	(37,090)	-	-
Amortization of:				
Transitional (asset)	(13,339)	(13,339)	-	-
Net actuarial loss	3,944	6,180	704	1,062
Pension expense	**3,306**	**4,682**	**8,485**	**8,873**

Note 13 — continued

The accrued benefit asset relating to the WCB's pension plan is included in its accounts receivable, while the accrued benefit liability relating to its other employee benefit plans is included in its accounts payable.

Note 14 — Related Party Transactions

The WCB is required to reimburse the Government of British Columbia for the operating costs of the Workers' Compensation Appeal Tribunal, which replaced the Workers' Compensation Review Board in March 2003, the Workers' Advisers Office, and the Employers' Advisers Office.

In addition to the legislated obligations referred to earlier, included in these financial statements are amounts resulting from routine operating transactions conducted at prevailing market prices with various British Columbia government-controlled ministries, agencies, and Crown corporations to which the WCB may be considered related.

Account balances resulting from these transactions are included in the financial statements and are settled on normal trade terms.

Note 15 — Self-insured Employers ($ thousands)

	2004	2003
Current premium income	58,742	52,140
Claim costs:		
Short-term disability	12,236	11,342
Long-term disability	21,831	24,373
Survivor benefits	3,133	502
Health care	11,930	5,114
Vocational rehabilitation	1,042	1,449
Claim administration	6,708	6,851
	56,880	**49,631**
Share of special reserves costs	4,314	5,804
Operating costs	6,201	5,745
	67,395	**61,180**
Share of investment (income)	(8,653)	(9,040)
	58,742	**52,140**

Included in the benefit liabilities is $202 million (2003 – $195 million) for self-insured employers (except for the Government of Canada). An equivalent amount is included in receivables because these liabilities will be paid by those employers in future years, hence they do not affect the WCB's unfunded liability.

Note 16 — Lease Commitments ($ thousands)

The WCB has several operating leases relating to computer equipment and office spaces. The future lease payments expected to be charged against operating costs over the next five years are as follows:

2005	6,364
2006	5,984
2007	5,906
2008	5,838
2009	5,782
	29,874

Note 17 — Comparative Figures

Certain 2003 figures have been reclassified to conform with the current year's presentation.

Actuary's Opinion

The liabilities included herein have been computed by the Workers' Compensation Board (WCB) in accordance with methods and assumptions approved by us. We have made such tests of the calculations as were deemed necessary. We have also examined the data upon which the calculations were based and found it to be sufficient and reliable for our purposes and consistent with the WCB's financial statements.

The liabilities under Pension Awards, Capitalized Values are for pensions in payment, and include the effect of cost-of-living increases granted effective January 1, 2005. They have been computed using the same mortality and other assumptions used for the valuation as at December 31, 2003. A net interest rate of 4.5% was used to discount pensions. This rate makes implicit provision for the future indexing of pensions on the assumption that investment earnings on WCB assets will exceed increases in the Consumer Price Index (CPI) by 3.5% per year, over the long term, and that indexing will be provided at CPI minus 1%.

The Provision for Unfinalled Claims represents the liabilities for future claims costs in respect of injuries which occurred during 2004 and prior years, including future pensions other than those already in payment, and future claims administration expenses. It is based on projections of future claims payments and awards using ratios developed from the WCB's claims experience, average benefit rates, the net interest rate above and, where applicable, the mortality and other assumptions used for computing pension liabilities. The methods used in calculating these liabilities were substantially the same as those employed in the previous valuation as at December 31, 2003.

In our opinion, the assumptions made are appropriate, the methods employed are consistent with sound actuarial principles, this valuation conforms with accepted actuarial practice, and the resulting amounts set out below make reasonable provision, as at December 31, 2004, for the future benefits expenditures of the WCB in respect of injuries to December 31, 2004.

($,000's)

	Pension Awards, Capitalized Values	Provision for Unfinalled Claims	Total
Benefit Liabilities:			
Short-term Disability	-	338,358	338,358
Long-term Disability	3,094,494	2,284,711	5,379,205
Survivor Benefits	712,216	66,705	778,921
Health Care	-	1,154,442	1,154,442
Vocational Rehabilitation	-	282,726	282,726
Claims Administration	-	478,371	478,371
	3,806,710	**4,605,313**	**8,412,023**

Jacob Levi, F.S.A., F.C.I.A. Richard A. Border, F.I.A., F.C.I.A.
Actuaries with the firm of Eckler Partners Ltd.

March 11, 2005

Ten-year Summary of Financial Statements (smoothed basis)

Unaudited

Balance Sheet
As at December 31 ($ thousands)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Assets										
Receivables	508,135	458,703	427,728	405,547	407,531	369,830	404,163	448,336	462,460	446,918
Portfolio investments	8,313,547	7,879,525	7,499,966	7,899,129	7,686,438	7,108,502	6,505,445	5,907,252	5,408,592	4,757,109
Capital assets	139,686	142,180	150,906	162,037	170,501	167,365	136,019	110,142	96,024	93,542
	8,961,368	**8,480,408**	**8,078,600**	**8,466,704**	**8,264,470**	**7,645,697**	**7,045,629**	**6,465,730**	**5,967,076**	**5,297,569**
Liabilities and net fund surplus/(deficiency)										
Payables and accruals	201,604	202,895	195,854	172,253	244,919	94,360	102,527	93,606	93,056	77,705
Benefits liabilities	8,412,023	8,269,650	8,029,458	7,870,287	7,308,582	6,915,660	6,542,161	6,257,860	6,187,528	5,845,022
Total liabilities	8,613,627	8,472,545	8,225,312	8,042,540	7,553,501	7,010,160	6,644,688	6,351,466	6,282,584	5,922,727
Reserves	260,000	260,000	260,000	290,000	290,000	502,000	332,000	70,000	40,000	40,000
Unappropriated balance/(unfunded liability)	87,741	(252,137)	(406,712)	134,164	420,969	133,537	68,941	44,264	(355,508)	(665,158)
Net fund surplus/(deficiency)	347,741	7,863	(146,712)	424,164	710,969	635,537	400,941	114,264	(315,508)	(625,158)
	8,961,368	**8,480,408**	**8,078,600**	**8,466,704**	**8,264,470**	**7,645,697**	**7,045,629**	**6,465,730**	**5,967,076**	**5,297,569**

Statement of Operations and Unappropriated Balance/(Unfunded Liability)
For the Year Ended December 31 ($ thousands)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Income										
Premiums	1,175,189	1,077,383	1,019,250	916,328	872,131	880,415	918,842	992,161	1,000,308	985,251
Investments	515,535	495,937	(223,798)	585,716	785,429	858,409	701,857	644,688	533,745	437,525
	1,690,724	1,573,320	795,452	1,502,094	1,657,760	1,738,824	1,620,689	1,636,849	1,534,053	1,422,776
Expenses										
Claims costs										
Short-term disability	205,206	199,508	253,019	308,329	338,276	341,832	298,832	267,482	256,822	303,052
Long-term disability	459,094	691,555	738,273	742,005	653,882	524,182	428,029	425,089	467,479	460,630
Survivor benefits	70,996	76,370	85,885	69,463	55,977	43,665	58,036	56,802	58,907	52,055
Health care	299,763	170,345	237,623	221,349	230,031	264,187	245,523	203,062	178,607	207,981
Vocational rehabilitation	15,544	34,492	130,490	117,330	106,037	77,839	66,929	47,285	68,371	129,384
Claim administration	165,262	191,662	178,985	189,618	135,898					
Extraordinary adjustments to revalue liabilities*		(73,546)	(414,674)		(75,357)					
	1,215,865	1,288,386	1,209,601	1,648,094	1,444,744	1,251,705	1,097,349	999,720	1,030,186	1,153,102
Operating and prevention costs										
Operating	256,780	257,411	278,134	250,773	227,768	205,104	194,037	121,311	161,641	159,730
Prevention	44,006	38,552	40,418	44,067	45,714	47,419	42,626	36,046	32,576	30,680
Less: Claim administration costs	(165,805)	(165,504)	(161,825)	(154,637)	(135,898)					
	134,981	130,459	156,727	140,203	137,584	252,523	236,663	297,357	194,217	190,410
	1,350,846	1,418,745	1,366,328	1,788,899	1,582,328	1,504,228	1,334,012	1,297,077	1,224,403	1,343,512
Surplus/(deficiency) from operations	339,878	154,575	(570,876)	(286,805)	75,432	234,596	286,677	429,772	309,650	79,264
(Unfunded liability)/unappropriated balance – January 1	(252,137)	(406,712)	134,164	420,969	133,537	68,941	44,264	(355,508)	(665,158)	(744,422)
	87,741	(252,137)	(406,712)	134,164	208,969	303,537	330,941	74,264	(355,508)	(665,158)
Appropriation to Research Reserve			30,000					(30,000)		
Appropriation to Future Claim Administration Reserve					212,000		(212,000)			
Appropriation to Latent Occupational Disease Reserve						(150,000)	(30,000)			
Appropriation to Earthquake Disaster Reserve						120,000				
Unappropriated balance/(unfunded liability) – December 31	**87,741**	**(252,137)**	**(406,712)**	**134,164**	**420,969**	**133,537**	**68,941**	**44,264**	**(355,508)**	**(665,158)**

* The extraordinary adjustments to revalue liabilities relates to the following items: Bill 37 in 2003, and Bill 39 and mortality assumption changes in 2002.

Note: The above amounts have been restated reflecting the retroactive effects of changes to accounting policies.

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Supplementary financial information ($ thousands)										
Property, plant, and equipment expenditures	25,459	18,882	17,240	27,380	33,936	55,540	38,240	33,813	12,584	11,043
Special reserves costs (included in claim costs)	112,060	154,263	114,231	129,774	98,936	92,443	81,319	62,211	77,644	79,681
Claim costs										
Current year's injuries	893,825	841,047	933,688	990,697	968,515	850,988	831,130	777,807	698,647	711,931
Prior years' injuries	322,040	522,885	690,587	657,996	476,229	400,717	266,239	221,913	330,569	441,171
Legislative and mortality assumption changes		(75,546)	(414,674)							
	1,215,865	1,288,386	1,209,601	1,648,693	1,444,744	1,251,705	1,097,349	999,720	1,030,186	1,153,102
Claim costs										
Payments[1]	1,073,492	1,048,194	1,050,430	1,086,988	1,051,822	878,206	813,048	929,388	687,680	711,296
Change in benefit liabilities	142,373	240,192	159,171	561,705	392,922	373,499	284,301	70,332	342,506	441,806
	1,215,865	1,288,386	1,209,601	1,648,693	1,444,744	1,251,705	1,097,349	999,720	1,030,186	1,153,102
Statistics										
Claims first reported[2]	156,864	152,106	156,814	169,509	181,651	175,792	177,239	183,591	180,849	191,651
Claims accepted[3]	121,440	120,470	119,727	130,323	140,029	136,741	144,380	148,144	145,278	147,223
Claims disallowed[4]	9,432	9,931	9,699	10,753	11,211	9,724	8,139	8,358	9,370	8,776
Claims rejected[5]	1,768	1,591	1,798	1,728	2,144	1,889	1,884	1,733	1,538	1,667
Claims disallowed as a proportion of claims reported (%)[2]	6.0	5.9	6.1	6.3	6.2	5.5	4.6	4.6	5.0	4.6
Injury rate (number of short-term disability claims per 100 person years of employment)	3.08	3.06	3.24	3.64	3.87	3.65	3.24	3.42	3.50	3.78
Short-term duration of claim (days paid per claim)[7]										
in injury year	26.9	26.6	26.2	26.8	26.2	26.5	25.9	24.0	22.7	23.3
total of all years	48.1	46.8	47.3	49.4	49.6	51.5	46.8	41.8	39.4	41.7
Prevention inspection reports issued[8]	15,913	16,310	21,736	28,648	31,063	34,264	32,737	33,894	41,548	42,986
Prevention worksite activity hours[9]	202,125	223,321	260,740	277,319	271,951	251,633	276,268	212,121	225,889	221,785
Employers registered	179,257	173,008	171,583	169,650	166,501	164,963	159,036	153,499	149,582	143,599
Average premium rate ($)[10]										
published rate										
base rate	2.06	2.03	2.03	2.02	2.31					
surplus abatement and transition capping	(0.15)	(0.13)	(0.13)	(0.23)	(0.40)					
collection rate	1.91	1.92	1.90	1.79	1.91					
actual final collected rate	1.96	1.94	1.88	1.78	1.73	1.88	2.01	2.22	2.29	2.29
Investment return of portfolio (%)										
total return (market yield)	10.2	13.5	(2.3)	(0.8)	5.6	9.8	11.0	13.8	16.6	17.8
accounting return (yield on average value of portfolio)	6.4	6.4	12.80	7.5	10.6	12.6	11.3	11.4	10.5	9.7
real return (yield in excess of inflation)[11]	4.1	4.8	16.09	5.6	7.8	10.3	10.3	9.9	8.7	7.3
Percent funded (ratio of assets to total liabilities) (%)	104	100	98	105	109	109	106	102	95	89

[1] In 1997, benefit payments include payments of approximately $209 million to widows in respect of retroactive portion of reinstated pensions. Changes in actuarial valuations show a corresponding credit to reflect the reduction of the retroactive liability.

[2] Claims are not necessarily disallowed, rejected, or accepted in the year in which they are reported.

[3] Claims accepted include claims accepted for health care only benefits.

[4] Disallowed claims are those that fall within the scope of the *Workers Compensation Act* but are not payable because they are not work-related.

[5] Rejected claims are those that do not fall within the scope of the Act: claims from workers employed in industries not covered under the Act, claims from self-employed workers without optional protection, accounts from physicians submitted in error to the Board.

[6] Reported claims that are not accepted, disallowed, or rejected are either suspended claims or "phantom" claims. Suspended claims are those where the claimant fails to respond to a request for information from the adjudicator, or withdraws the claim. "Phantom" claims are accident reports that are not claims for benefits.

[7] Duration numbers for all 10 years now exclude days paid as vocational rehabilitation days. The durations now include only short-term duration days.

[8] These reports represent the number of inspections conducted.

[9] Worksite activities include Worker and Employer Services and Investigations field officers' staff time spent on inspections, education, consultation, investigations, and other industry worker services.

[10] The published rate is the rate announced at the time the assessment rates are set. It consists of the base rate reduced by both the pre-2000 subclass surplus abatement and transition capping of rate increases from old to new classification structure. This reduction will largely disappear after 2004. The actual final collection rate differs from the published collection rate due to changes in payroll distribution by industries over time and refinement of estimates.

[11] Inflation is the change in the All Canada CPI from the preceding October to the current October value, reflecting the indexation of injured worker benefits.

Notes: The above amounts have been restated reflecting the retroactive effects of changes in accounting policies.
Refinements in measurement approach have resulted in minor changes in previously reported figures in some cases.

Matching organizational capacity to customer demand

Appendices

Appendix A: Supplementary Performance Measurement Information

The 11 performance indicators included in this year's annual report and service plan were selected by the WCB's Board of Directors and Senior Executive Committee as a means to highlight the most crucial aspects of the WCB's performance as a whole. Each indicator is tied directly to one of the WCB's four main strategic goals, which are, in turn, linked back to the organizational priorities established by the Board of Directors in 2002 (see page 21).

The indicators were drawn from a larger set of measures used by the WCB to monitor and guide performance across all levels of the organization. In choosing which performance indicators to highlight, the Board of Directors and Senior Executive Committee considered a number of key factors:

- Relevance of the indicators in relation to the WCB's strategic goals
- Validity of the indicators (do they measure what they are intended to measure?)
- Availability of data
- Clarity, comprehensiveness, and transparency of the indicators
- Ability of the indicators to provide reliable comparisons over time

Ensuring data reliability

The WCB stands behind the integrity and reliability of all key performance results included in its annual report and service plan, but recognizes that some measures can be further refined due to the sheer number of variables involved. As part of an ongoing effort to improve measurement accuracy, the WCB recently underwent the second year of a voluntary multi-year review by the Office of the Auditor General of B.C., which, in part, is aimed at validating the systems and processes used to collect performance data at the WCB, verifying the accuracy of the results, and identifying areas for improvement. For more information on the Office of the Auditor General's findings, refer to pages 16 and 17.

The quality, consistency, comparability, and completeness of data contained in the annual report and service plan will be further improved over time through ongoing auditing and quality control initiatives. The Board of Directors and Senior Executive Committee will also continue to evaluate the performance measures and refine them as needed to ensure that each is a meaningful indicator of progress toward the WCB's overall strategic goals.

Ensuring consistency with the strategic plan

Near the end of 2004, the Board of Directors and Senior Executive Committee introduced a new strategic plan, which lays out the WCB's vision for workers' compensation in B.C. (see page 91). As part of the strategic planning process, the Board of Directors and Senior Executive Committee reaffirmed the WCB's goals and objectives, which are implicitly tied to key aspects of the plan. However, as part of its ongoing review, the Board of Directors may introduce additional objectives and measures in 2005, particularly in regards to the WCB's strategic focus on changing societal attitudes toward workplace health and safety.

Appendix B: Linking Costs with Goals and Strategies

In developing the operating budget each year, the Board of Directors and Senior Executive Committee seek to achieve an optimal balance of funding in support of the WCB's strategic goals. However, because the WCB's goals are extremely broad and supported by a number of programs, initiatives, and responsibilities shared among various departments and divisions across the organization, it is difficult to fully segment expenditures according to each individual goal (or its associated objectives).

The WCB is increasingly moving toward an integrated, matrix-based organizational structure focused on service delivery, where lines of business are often interconnected and most programs and initiatives relate to more than one strategic goal. As such, allocating budget dollars by goal or function could be misleading. Launching a new prevention initiative, for example, may contribute to the WCB's goal of improving occupational health and safety in the workplace, but it also contributes to the WCB's goal of maintaining financial sustainability and stability, and influences other goals as well. Further, the same initiative will likely involve significant contributions from more than one division.

It is possible to break down the WCB's annual expenditures by general business activities, which are closely associated with groups of strategic goals (as outlined in the table below), but it is important to note that such categorization is not exhaustive. Each of the following areas of expenditure is accompanied by a ratio, or contextual measure, to help put the WCB's expenditures in perspective. These ratios are being refined and will be further developed in future annual reports and service plans.

Area of expenditure	Strategic goals most directly influenced	Context
Prevention $44 million or 3.3 percent of total costs in 2004	Goal 1: Foster the improvement of occupational health and safety in workplaces Goal 4: Maintain financial sustainability and stability	Based on 1.9 million full-time equivalent work years and an average of 2,000 hours of paid work in a year, prevention expenditures account for just over $0.01 per paid hour worked in B.C. in 2004.
Claim costs $1.1 billion or 77.7 percent of total costs in 2004	Claim costs are not expended to achieve the WCB's strategic goals, but are part of its legislative mandate: to provide fair compensation to replace workers' loss of wages while recovering from injuries.	Claim costs account for approximately $0.28 per paid hour worked in B.C. in 2004.
Customer service and infrastructure (front-line service provided directly to workers and employers, including areas such as claim adjudication, entitlement decision making, account management, rehabilitation, return to work, and the work of the Review Division, as well as infrastructure costs such as those associated with maintaining the WCB's buildings, information systems, and vehicles) $166.2 million or 12.3 percent of total costs in 2004	Goal 2: Improve service to stakeholders a. Improve satisfaction, accessibility, and public confidence b. Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation Goal 3: Improve cost-effectiveness and accountability of the services we deliver Goal 4: Maintain financial sustainability and stability	Customer service and infrastructure costs represented about $0.04 per paid hour worked in B.C. in 2004.

Area of expenditure	Strategic goals most directly influenced	Context
Corporate services (areas such as financial management, policy development and regulation review, governance, and other corporate services) $62.8 million or 4.7 percent of total costs in 2004	Goal 2: Improve service to stakeholders a. Improve satisfaction, accessibility, and public confidence b. Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation Goal 3: Improve cost-effectiveness and accountability of the services we deliver Goal 4: Maintain financial sustainability and stability	Corporate service costs represented about $0.02 per paid hour worked in B.C. in 2004.
External appeals and workers' and employers' adviser services $27.7 million or 2.1 percent of total costs in 2004	Goal 2: Improve service to stakeholders a. Improve satisfaction, accessibility, and public confidence b. Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation Goal 3: Improve cost-effectiveness and accountability of the services we deliver	The vast majority of issues decided by the WCB are never appealed but every worker and employer has the right to use the advisory services provided by the Ministry of Skills, Development and Labour, and/or appeal WCB decisions to the Workers' Compensation Appeal Tribunal (both are funded by the WCB). Workers and employers benefit from the work of these entities directly or through the education, outreach, and dialogue they provide. The value of these services, therefore, extends well beyond the direct number of cases served to affect virtually all claims in the system. Costs associated with the external appeals and adviser systems were about $103 per claim file handled by the workers' compensation system in 2004.

The relationship between costs and performance outcomes

Although each of the above areas of expenditure is linked with groups of strategic goals, changes in costs are not always directly or immediately related to changes in outcomes. An increasing injury rate, for example, may trigger an increase in expenditures to prevent injuries. Over time, as the effects of those expenditures bear results, performance may improve but in the short run, costs may rise while apparent outcomes are falling. In terms of claim administration, reducing administrative expenditures by too much may increase claim duration and delay return to work, thus increasing the overall cost to the system. Such examples illustrate the limitations of the relationships outlined above.

Linking costs with strategic areas of focus

The WCB's new strategic plan lists five areas of strategic focus (see page 91). Keeping the health and safety promise and improving service one human being at a time are primary among these. The WCB's Worker and Employer Services Division has the lead role in both areas. Excluding claim costs, this direct service-to-stakeholder division accounted for $116.1 million or 38.6 percent of the total administrative expenses of the WCB in 2004. Add to this the $25.9 million spent on prevention in other areas of the WCB, $9.0 million spent on the Review Division (a key component of the WCB's quality-control strategy), and $12.6 million spent on other direct services, and the total expenditures for prevention and direct service to stakeholders exceed 54 percent of the WCB's total expenses in 2004, excluding claim costs.

Appendix C: Comparing Results with Other Jurisdictions

Making direct comparisons between the WCB's performance results and the results from other Canadian workers' compensation organizations is difficult, largely due to the differing legal requirements, policies, and operating issues within each jurisdiction. Also, comparisons can be made with 2003 data only, which is the most current information available at the time of publication. Most of the following comparisons are based on a set of standardized indicators compiled by the Association of Workers' Compensation Boards of Canada (AWCBC). Although these indicators are not directly comparable to the WCB's, many are similar enough to provide rough comparisons of performance.

Key objective #1: Reduce the provincial injury rate

2004 target: 3.00 injuries or less per 100 person-years of employment

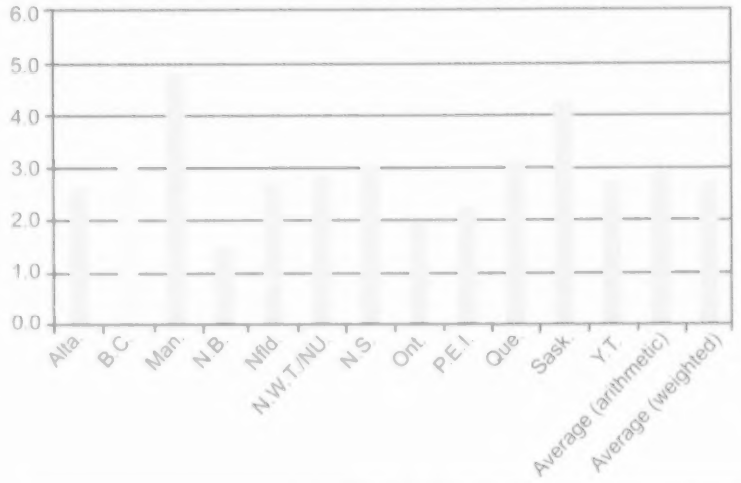
2004 result: 3.08 injuries per 100 person-years of employment (see page 23)

2005–2007 targets: 3.04 or less, 3.00 or less, 2.90 or less

Setting injury rate targets: The injury rate is an important measure of the overall health and safety of B.C. workplaces. Workers, employers, industry associations, unions, and the WCB all play a role in reducing the injury rate. The only acceptable injury rate is zero. Although this will be extremely difficult to achieve, progress toward that result is indicated by incremental changes in the rate over time. The WCB's targets reflect the expected results if current strategies and anticipated changes in economic factors are realized.

Related comparison: The AWCBC publishes an annual comparison of injury frequency using a standardized calculation. Injury frequency is not directly comparable between provinces because injury rates are influenced by the mix of industries present in each jurisdiction. The following chart reflects the relative injury frequency for all provinces as published in January 2005 (based on 2003 source data).

Injury frequency
(per 100 workers of assessable employers)



Source: AWCBC Key Statistical Measures 2003, www.awcbc.org/english/board_pdfs/Key_2003.pdf

Key objective #2: Reduce the average short-term claim duration

2004 target: 46.5 days

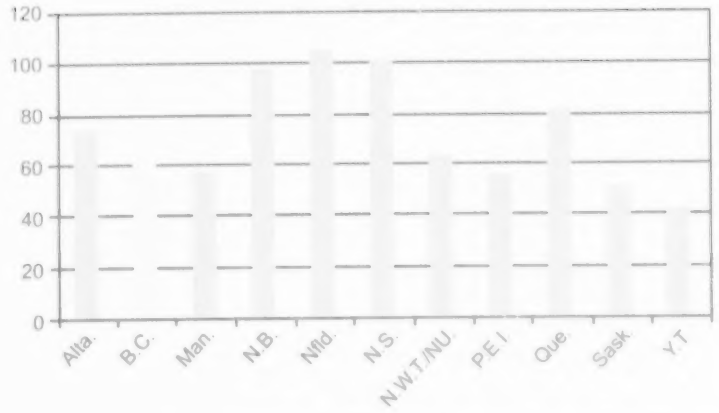
2004 result: 48.1 days (see page 26)

2005–2007 targets: 47.7 days, 47.2 days, 46.7 days

Setting short-term claim duration targets: Short-term claim duration is influenced by many factors, including the severity of injury, age at time of injury, timeliness of treatment and adjudication, and availability of return-to-work opportunities, to name a few. Defining "optimal" aggregate duration depends on the general mix of claims accepted by the WCB. The targets established by the WCB assume a similar "mix" of claims over time, and reflect the anticipated impact of changes in the WCB's systems, resources, and practices for expediting care and improving the efficiency of claim adjudication.

Related comparison: The AWCBC publishes an annual comparison of claim duration using a standardized calculation. Claim duration measured by the AWCBC is not the same as claim duration measured by the WCB and is not directly comparable between jurisdictions, as the duration of disability is influenced by the mix of industries and economic factors in each province. The following chart reflects the average composite claim duration in calendar days for all provinces as published in January 2005 (based on 2003 source data).

Average composite duration of claim (in days)



Source: AWCBC Key Statistical Measures 2003, www.awcbc.org/english/board_pdfs/Key_2003.pdf

(Data not available for Ontario)

Key objective #3: Improve return-to-work outcomes for workers in vocational rehabilitation

2004 target: 66 percent

2004 result: 67.8 percent (see page 27)

2005–2007 targets: 69 percent, 70 percent, 70 percent

Setting return-to-work targets: Since some of the workers who are referred to the WCB's vocational rehabilitation program have extremely complex injuries with a very low probability of successful return to work, it is unlikely that this measure will ever reach 100 percent. Some studies suggest that a success rate between two-thirds and three-quarters of all referrals is achievable. The WCB is currently working with the AWCBC to establish a more comprehensive measure of return to work that would be comparable between jurisdictions. Until then, this measure is intended to be a relative indicator. The targets express the WCB's best estimate of the potential of its current programs and strategies to improve return-to-work outcomes (assuming a relatively similar mix of referrals).

Related comparison: There is no comparable data available.

Key objective #4: Improve timeliness of initial short-term disability payments

2004 target: 17 days

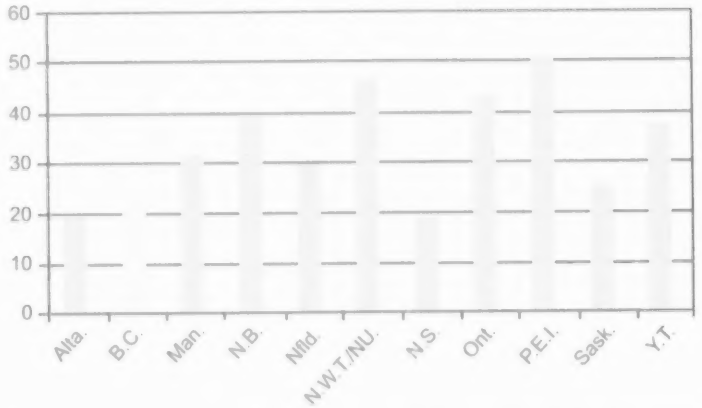
2004 result: 18.3 days (see page 29)

2005–2007 targets: 17.5 days, 17 days, 16 days

Setting timeliness targets: Most workers are used to receiving a paycheque every two weeks. Since the *Workers Compensation Act* requires employers to report a work-related injury within three days, this measure reflects the WCB's desire to maintain a regular bi-weekly payment pattern from the time a claim is first reported. In general, the WCB aims to keep timeliness in the range of 15 to 17 days (based on the current mix of claims and present state of the WCB's systems and processes), which builds in adequate time for proper investigation and determination of entitlement. If average timeliness dips below this range, it could begin to affect the integrity of the WCB's investigation and decision making.

Related comparison: The AWCBC publishes an annual comparison of timeliness of initial short-term disability payments using a standardized calculation that is slightly different from the WCB of B.C.'s method of calculation. The following chart reflects the average calendar days from date of injury to date of first payment as published in January 2005 (based on 2003 source data).

Average calendar days from injury to first payment issued



Source: AWCBC Key Statistical Measures 2003, www.awcbc.org/english/board_pdfs/Key_2003.pdf

(Data not available for Quebec)

Key objective #5: Improve injured workers' rating of overall service

2004 target: 7.9 out of 10

2004 result: 7.8 out of 10 (see page 30)

2005–2007 targets: 8 out of 10, 8.1 out of 10, 8.2 out of 10

Setting workers' service rating targets: Since the WCB is an adjudicative body and must often make difficult decisions based on legislation, not everyone will be satisfied with the overall service received every time. The WCB strives to continually improve its service rating from injured workers, but realistically expects peak performance to be in the range of 8 to 8.5 out of 10. The WCB's targets in this area reflect the anticipated results of new service-related systems and strategies that are planned or currently underway.

Related comparison: There is no comparable data available.

Key objective #6: Improve employers' rating of overall service

2004 target: 7.9 out of 10

2004 result: 8.2 out of 10 (see page 32)

2005–2007 targets: 8.2 out of 10, 8.3 out of 10, 8.3 out of 10

Setting employers' service rating targets: The WCB strives to continuously improve the employers' rating. The adjudicative nature of workers' compensation, however, makes it unrealistic to believe all employers will rate overall service a perfect 10. Given the WCB's mandate, programs, and present technology, peak performance in this area is estimated to be in the range of 8 to 8.5 out of 10.

Related comparison: There is no comparable data available.

Key objective #7: Raise public confidence

2004 target: 73 percent positive public perception

2004 result: 74 percent positive public perception (see page 33)

2005–2007 targets: 77 percent, 78 percent, 78 percent

Setting public confidence targets: The public contribution index is a relative measure with optimal performance defined by: (a) the drive to continually raise the index year by year; and (b) the comparison between the WCB's results and the results of other public and private organizations which track their public contribution rating in a similar manner. The WCB recognizes that it will probably never reach a 100 percent positive rating from all members of the public, but strives to get as close as possible over time.

Related comparison: To track public confidence, the WCB hires Ipsos-Reid to survey 800 B.C. residents every three months. The major indicator of success is the overall approval rating, which indicates the degree to which British Columbians think the WCB makes a positive contribution to the province. Ipsos-Reid also tracks public approval ratings for other large organizations based on a similar method of calculation. Using the 2004 average ratings for these organizations as a comparison, the WCB achieved 74 percent positive, compared with a combined average of 70 percent positive for the other organizations.

Key objective #8: Achieve an accident fund in the range of 90 to 110 percent

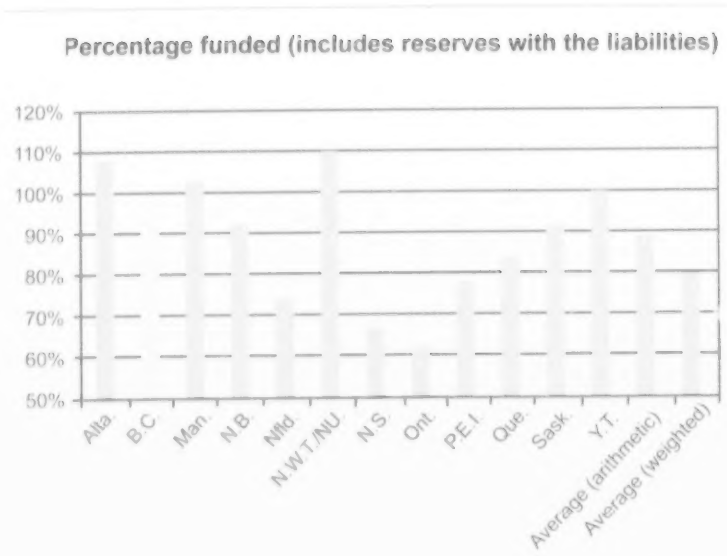
2004 target: 101 percent

2004 result: 104 percent (see page 34)

2005–2007 targets: 105 percent, 106 percent, 107 percent

Setting funded ratio targets: The Board of Directors has established the target range for the WCB's funded ratio to be between 90 and 110 percent. When the funded ratio is too high (above 110 percent), it removes money from the hands of employers – money that could otherwise be used for wages and capital investments. When the funded ratio is too low (below 90 percent), it effectively transfers the burden to future generations of employers who would have to pay higher premiums to cover the difference. Keeping the funded ratio within the target range avoids wide swings in premium rates and improves the ability of employers to remain competitive and plan for the future.

Related comparison: The AWCBC calculates the "percentage funded" for each Canadian workers' compensation system according to a standardized formula, which includes reserves with the liabilities. The following chart shows the average funding level of each provincial workers' compensation system as published in January 2005 (based on year-end 2003 data).



Source: AWCBC Key Statistical Measures 2003, www.awcbc.org/english/board_pdfs/Key_2003.pdf

Key objective #9: Attain an aggregate premium rate between $1.75 and $2.25 per $100 of assessable payroll

2004 target: $2.06 ($1.91 after transition and surplus)

2004 result: $2.13 ($1.96 after transition and surplus) (see page 35)

2005–2007 targets: $1.97 ($1.87 after transition and surplus), $1.90, $1.89

Setting premium rate targets: This measure reflects the reality of the marketplace. Across North America, premium rates average around $2 per $100 of assessable payroll and range from just over $1 to more than $5 per $100 of assessable payroll. Some of this variation is due to the mix of industries and benefit levels, as well as the funded status and coverage rules in specific jurisdictions. Given the funded status range and premium levels in other jurisdictions, the overall range is considered optimal in the present environment. If the aggregate premium rate goes above $2.25 it puts excessive financial strain on employers. If it dips below $1.75, it can weaken the long-term financial sustainability of the system, given the current levels of claims and costs. If injury rates fall and workers are returned to work quickly, costs will drop – allowing premiums to decline as well.

Related comparison: Average premium rates for other jurisdictions in 2004, based on published reports and announced projections, were $1.98 in Alberta, $2.19 in Ontario, and $2.15 in Quebec. The following table lists average premium rates in B.C. and these jurisdictions over the past 10 years.

Province	Ten-year average	Standard deviation	Standard deviation as percent of average
B.C.	2.00	0.19	10%
Alberta	1.53	0.32	21%
Ontario	2.48	0.34	14%
Quebec	2.25	0.29	13%

Source: AWCBC provincial WCB annual reports

Key objective #10: Improve administration costs

2004 target: $0.36 per $100 of assessable payroll

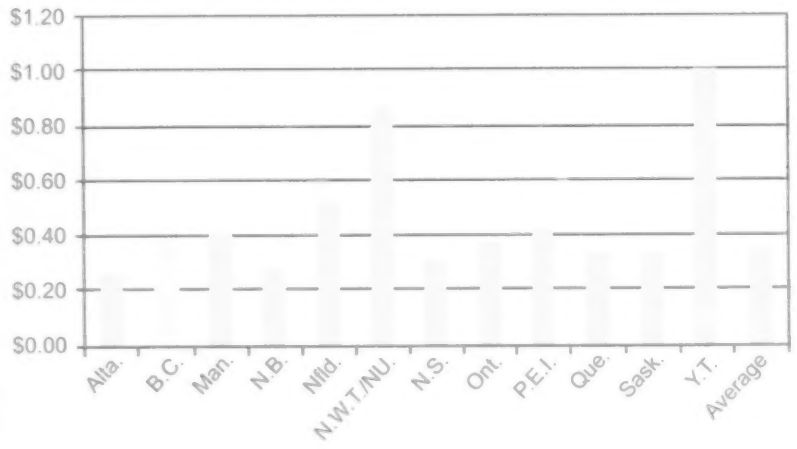
2004 result: $0.36 per $100 of assessable payroll (see page 37)

2005–2007 targets: $0.36, $0.35, $0.33

Setting administration cost targets: The Board of Directors is committed to optimizing the cost-effectiveness of services delivered by the WCB, but recognizes that this is not the same as minimizing administration costs in every case. Decreasing staff resources in Worker and Employer Services, the largest operating division of the organization, for example, could lower the WCB's administration costs, but could dramatically increase benefit expenses due to less than optimum rehabilitation times and return-to-work outcomes for injured workers. Investing in efforts to create societal change or to improve the training of staff may increase administration costs, but can also improve workplace safety and reduce overall costs in the longer term. Since all workers' compensation organizations face similar challenges, this measure is designed to track the WCB's performance relative to the weighted average of workers' compensation systems in Canada. The optimum range for this measure is within $0.02 of the weighted national average unit administration cost and the WCB's current targets reflect that range and recent trends among other Canadian workers' compensation organizations.

Related comparison: The AWCBC calculates administration costs per $100 of assessable employer payroll according to a standardized formula. The following chart shows the administration costs per $100 of assessable employer payroll for each provincial jurisdiction as published in January 2005 (based on year-end 2003 data).

Administration costs per $100 of assessable payroll



Source: AWCBC Indicator Ratios 2003, www.awcbc.org/english/board_pdfs/Indicator%20Ratios%202003%20FINAL.pdf

Key objective #11: Improve decision making throughout the WCB, ensuring consistency with legislation and policy

2004 target: 7 percent overturn rate at the Review Division level, less than 3.5 percent overturn rate at WCAT level (due to errors in the WCB's application of law or policy)

2004 result: 3.8 percent overturn rate at Review Division level, 2.7 percent overturn rate at WCAT level (due to errors in the WCB's application of law or policy – see page 38)

2005–2007 Review Division level targets: 4.5 percent, 4.5 percent, 4.5 percent

2005–2007 WCAT level targets: Less than 2.5 percent, less than 2 percent, less than 2 percent

Setting decision-making targets: Issues decided by the WCB may be decided differently upon review or appeal by virtue of new information or a reweighing of existing information – this is part of the "inquiry" process and not necessarily indicative of erroneous decision making. Therefore, the WCB tracks the rate of error in the application of law and or policy, which is the most objective measure of the quality of WCB decision making available. While an error rate of zero is the ideal target, the optimal range (given current workload levels and required timelines for review and appeal decision making) is between 0 and 5 percent at the Review Division level and between 0 and 3 percent at the WCAT level.

Related comparison: There is no comparable data available.

Appendix D: Operating Environment

The Workers' Compensation Board operates in a complex environment affected by potential external threats and internal vulnerabilities. Risks to the financial and operational integrity of the WCB require ongoing monitoring and assessment through annual enterprise risk-management reviews, environmental scanning, and business continuity planning.

The following section outlines some of the major risk factors that the WCB faced in 2004 – and will continue to face over the next three years.

External factors

The economy and labour force

The growth in the B.C. economy in 2004 has implications for workers' compensation. The demand for labour can lead to shortages in skilled and unskilled labour, and shortages have already been predicted or identified in construction trades and agriculture. These gaps are often filled by young workers and inexperienced workers – a combination that often leads to an increased risk of injury. In addition, B.C. farmers are looking to Mexico as a potential source of seasonal labour, a practice common in other jurisdictions. Educating seasonal and foreign workers and their employers about their rights and responsibilities regarding occupational health and safety will become an increasing challenge if this program expands.

Over the past four years, the construction sector has seen 28 percent growth.[1] Despite the increased risk of injury, results for 2004 were encouraging, showing stable or improving injury rates in most classification units within the construction sector. Nonetheless, sustained growth in major construction projects tends to attract experienced trades people from other parts of the construction sector. This increases the concentration of new entrants in other areas of the construction industry (i.e., residential construction). And past experience suggests that new entrants, particularly young workers, are at greater risk of injury. The WCB strives to mitigate this risk by increasing awareness through advertising, education, industry association activities, and worksite inspections. The Centre for Operational Excellence at the University of British Columbia is also providing the WCB with models to gauge which construction sectors will be most affected by these impacts and when they will feel the effects.

Injury rate and severity

After years of continuous improvement, the provincial injury rate has levelled off. This has significant human and financial implications. In an expanding economy, a flat injury rate can mean an increase in the number of work-related injuries and fatalities. The declining injury rate helped offset increased medical treatment and rehabilitation costs, but a flat injury rate will put upward pressure on costs. Analysis of injuries has shown that serious injuries such as amputations and fractures, third-degree burns, and head trauma are not declining at the same rate as other injuries. A flat injury rate in a growing economy means more workers will suffer serious injury – an unacceptable consequence and one that will require action on several fronts. A renewed focus on the root causes of severe injuries is part of the WCB's prevention strategy and a key component of the WCB's new strategic plan.

Occupational and environmental diseases

In 2003, Canadians saw Severe Acute Respiratory Syndrome (SARS) strike with devastating human and economic costs. In 2004, the avian influenza virus put workers at risk and resulted in millions of birds being destroyed. In both cases, the original source of human infection was an animal. The potential threat posed by diseases crossing over from animals has been identified as a serious risk to humans by the World Health Organization. These "zoonotic" diseases have had very limited health impact on B.C. workers to date; however, in the event of an outbreak of a highly contagious disease, front-line caregivers may be at increased risk. These diseases are within the scope of coverage by the *Workers Compensation Act* if the worker contracts the disease in the course of, and arising out of, duties related to his or her employment.

Work-related exposure to disease agents is not limited to viral or bacterial sources. Use of asbestos 20 to 30 years ago has led to serious health consequences for some workers today. The long latency of some occupational diseases means that many workers will develop a disease at some point in the future, perhaps after retirement. Even though exposure to asbestos has been drastically reduced, exposures from the past are expected to generate new occurrences of disease for many years to come. Unless the WCB receives reports of these new occurrences, costs for these work-related diseases will be externalized to the public medical insurance system and private individuals, rather than appropriately covered by the workers' compensation system.

[1] Based on Statistics Canada estimate of B.C. construction employment.

The WCB and the B.C. Cancer Agency have embarked on a joint initiative to ensure that diagnosticians are aware of the need to report identified cases of asbestos-related disease to the WCB for adjudication. The WCB has created and will maintain reserves to manage the longer-term costs associated with as yet unidentified long-latency diseases and the potential for an outbreak of a viral or bacterial work-related disease. While this will not mitigate the occurrence of disease, the reserves are a prudent financial response to these risks.

Through its research partnerships and funding opportunities, the WCB is continuing to inform its decisions with evidence-based information. More than $5 million in research funding has been allocated to some of Canada's leading universities and institutes, much of it focused on issues relating to occupational disease. In co-operation with researchers and other workers' compensation systems, the WCB is seeking to mitigate the risks of disease in the workplace.

Capacity and access in the health care system

The human cost of injury is compounded when medical treatment is delayed. Workers and families must bear emotional burdens and reduced earnings, and potentially bear the consequences of reduced employment opportunities or long rehabilitation periods. The financial costs to the WCB are also significant as delays increase time-loss payments and rehabilitation times. Workers' compensation systems in Canada are exempt from the *Canada Health Act*, partially due to the recognized importance of returning workers to the workforce as soon as safely possible.

In aiding injured workers in their recovery and return to work, the WCB relies on health care services provided by public hospitals, private diagnostic and surgical centres, physiotherapists, chiropractors, pharmacists, audiologists, and other medical professionals in both public and private settings.

The use of private surgical suites and expedited care are critical to the delivery of services to injured workers. While the WCB prefers to use the public health care system whenever possible, the benefits of expedited care – to both workers and employers – are self-evident. If, however, recovery and return-to-work outcomes become less efficient in the private system, any advantage may be lost. This is a significant risk and one that the WCB is examining with the University of British Columbia's Centre for Health Services and Policy Research. Any deterioration in capacity or access to health care resources in the system will have a negative impact on workers, employers, and the workers' compensation system as a whole.

To help determine the effectiveness of treatment provided by the WCB's external health care partners (public and private), the WCB monitors the success and satisfaction of participants in work conditioning and occupational rehabilitation programs. In addition, WCB quality assurance supervisors oversee the network of health care providers from a quality perspective, regularly visiting external sites to help ensure compliance with WCB standards for appropriate professional treatment. The WCB also conducts retrospective audits throughout the year to ensure fiscal accountability and the appropriateness of clinical care provided.

Internal factors

Reorganization and staffing

In 2004, the WCB Board of Directors and Senior Executive Committee implemented a new strategic direction and structural reorganization (see page 14). The WCB has adopted a service-centric organizational structure that eliminates operational "silos" and creates cross-functional teams. These teams are better able to focus on the priorities, goals, and outcomes defined in the WCB's strategic, service, and business plans. In addition, inspections and investigations are now distinct functions, enabling the WCB to deliver more front-line inspection resources to workplaces in B.C. and ensure that serious breaches in compliance are thoroughly investigated and, where appropriate, penalized or prosecuted.

As with any reorganization, there are new roles to be defined, changes in procedure to be developed, and adjustments to staffing to be implemented. This last point involves matching skills and capacities, retraining, and shifting functions among the WCB's 2,797 staff members (as of December 30, 2004).[1] While certain efficiencies can be achieved in the new organizational structure, it will take time for these to be fully realized. In advance of the organizational change, estimates of staffing requirements and skill sets needed provided a starting point for staff assignments and training. The actual service needs were refined through 2004 and adjustments will continue over the coming year.

[1] This includes all full-time, job-sharing, part-time, and temporary employees.

Capacity modelling

The WCB, like any organization, is at risk if organizational capacity is exceeded or underutilized. Without the capacity to handle claim volumes, for example, workers may experience delays in payment or approval for treatment. While lower administrative costs may be achieved, any savings are more than offset by increased costs to the workers (longer duration, more pain and suffering), employers (increased costs associated with duration), and staff (frustration in trying to manage caseloads beyond their capacity, stress).

In 2004, the WCB initiated a new approach that was based on a detailed analysis of job functions and was responsive to the needs of workers and employers in particular regions. This new model will create an objective way for the WCB to define staffing needs on the basis of work volumes, customized to the specific regions or industries served. The strategic plan has made "matching of organizational capacity to customer demand" a strategic focus for the coming year. Along with active succession planning and knowledge management programs, the new model will ensure that the WCB has the right mix and number of staff to meet changing service demands.

Business continuity and enterprise risk management

Earthquakes, major electrical blackouts, ice storms, terrorist attacks on office buildings, major fires – all have occurred in recent years and have had an impact on organizations similar to the WCB. Prudent practice requires organizations to assure stakeholders that risks to the continuity of services are routinely assessed for probability and impact. As new threats emerge, the implications for the operation are assessed and current contingency plans reviewed. Not all contingencies can be anticipated, but the WCB approach has considered classes of disaster that will disrupt computer systems or staff availability.

By definition, business continuity planning and enterprise risk management are ongoing. The recent reorganization, for example, requires the operational reviews of newly formed departments and the coordination of business continuity plans to be undertaken in the new operating context. To date, preliminary tests have been performed on some units and planned reviews of 80 percent of departments are complete. More comprehensive testing is planned for 2005. Plans are following a methodology compatible with provincial government guidelines.

Information technology and systems

As an information- and knowledge-based organization, information technology plays a pivotal role in the WCB's service delivery. Innovations such as e-business applications for workers and employers, an active data warehouse system for decision-makers, an automatic balanced scorecard system, and a corporate intranet for all staff are just some of the ongoing technological developments that have improved the WCB's efficiency in recent years.

Failures in the security or operation of the WCB's electronic systems and applications could jeopardize service, privacy of information, and the financial integrity of the WCB. To address these risks, the WCB maintains strict policies regarding access to information and engages in industry-recognized best practices to ensure systems are rigorously designed, tested, and protected. In fact, testing of the data recovery plan, complete with restoration of systems to a secure off-site location, is an ongoing part of the WCB's risk-mitigation strategy. As new systems are brought online and legacy systems are retired, documentation is controlled to ensure continuity and auditability of systems.

Privacy and disclosure

At the WCB, the confidentiality of workers' compensation records is a priority. The inadvertent release of information pertaining to an individual's health or claim history is unacceptable, creating a serious risk to the credibility of the organization, as well as potential harm to workers and employers. The WCB receives in excess of 13,000 pages of information every day. Systems are designed to protect the privacy of WCB clients, but filing errors can also occur in an electronic world. To add a further level of protection to worker records, files requested for disclosure are now individually screened. In designing future systems, the WCB is looking to improve its processes in order to provide superior protection to its stakeholders.

Appendix E: Strategic Plan

In 2004, the Board of Directors approved a new strategic plan, which lays out the WCB's future vision for workers' compensation in B.C. and defines broad strategies and actions for achieving the organization's goals over the long term. The plan reflects extensive discussions with customers, stakeholders, and staff, and establishes five areas of strategic focus that will guide planning and decision making at all levels of the organization for years to come.

1. Keeping the health and safety promise: Workers and workplaces safe and secure from injury illness and disease
2. Our service commitment: Making a difference, one human being at a time
3. Our commitment to our team: Matching organizational capacity to customer demand
4. Transforming societal attitudes: Work-related death, injury, illness, and disease are not inevitable and acceptable costs of doing business
5. Protecting the financial integrity of the system

Under each of these five areas of focus, the WCB is planning or has already begun a number of strategic programs, initiatives, and partnerships aimed at advancing the WCB's WorkSafe vision, improving service to stakeholders, and enabling the WCB to better achieve its strategic goals.[1]

The new strategic plan has meant a departure from the WCB's traditional approach to delivering prevention, compensation, and customer services. The WCB's new matrix-based organizational structure ensures seamless rather than "siloed" business operations and a more integrated customer-service approach. Also, eliminating duplication in areas such as communications, training, and program development, has allowed staff to focus on service – providing greater consistency and responsiveness that has been reflected in regular stakeholder service satisfaction surveys and focus groups.

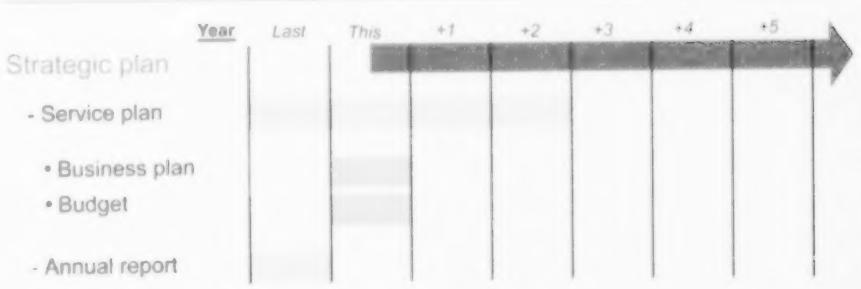
The strategic plan reflects the WCB's role as a provincial public-sector agency, which includes the need to comply with the legislated direction and remain sensitive to the strategic priorities of the provincial government. In fact, making the Workers' Compensation Board responsive to workers and employers is a component of the Government of B.C.'s current strategic plan.[2] The WCB has made service a key focus of its strategy. Under the plan, the WCB is committed to making a difference one human being at a time, and this commitment can be seen in several of the new initiatives launched in 2004, including account management and industry alignment – both aimed at increasing the level of knowledgeable, responsive, and supportive service offered to stakeholders.

Reorganizing the WCB's structure to align with the new strategy has had a predictable short-term impact on service and productivity. WCB employees have had to learn new jobs, acquire new skills, and expand their knowledge base and internal network to ensure they can meet stakeholder needs in an effective and timely way. But despite these challenges, the WCB's service satisfaction results remained mostly on target in 2004 (see the performance measurement section beginning on page 19), and are expected to improve significantly over the coming years as the WCB's new structure is solidified and the strategic plan is further implemented.

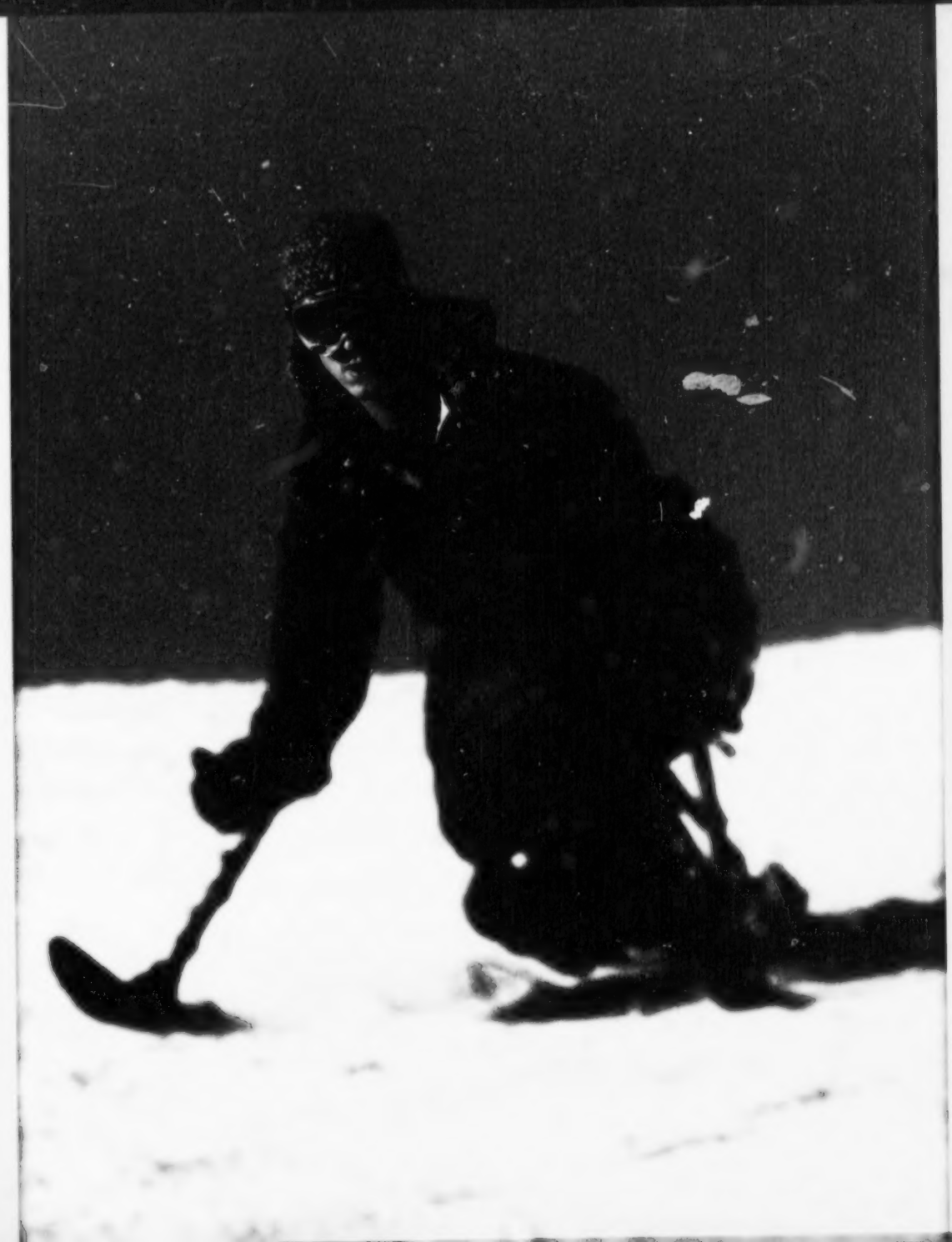
As adjustments are made to structures, priorities, and targets, the overall vision of the WCB remains unchanged: a British Columbia where workers and workplaces are safe and secure from injury, illness, and disease.

How the plan relates

Through its three-year service plans (such as this publication) and annual business plans, the WCB looks ahead and sets its priorities for the future. The strategic plan provides a longer-term strategy for moving the organization forward, and provides direction beyond the more immediate goals and objectives established each year in the annual report and service plan and other business planning documents (as depicted in the chart below).



[1] For more detailed information, refer to the WCB's strategic plan at www.worksafebc.com/publications/reports/annual_reports/assets/pdf/strategic_plan_2010/strat_plan_2010.pdf.
[2] The Government of B.C.'s strategic plan is available online at www.bcbudget.gov.bc.ca/stplan/.



"The only difference between the possible and impossible is one's attitude. Before my accident, I was living my dream, making a career out of my skiing hobby. After my accident, the doctors told me that life would forever be changed. The loss of my legs, bowels, and bladder was a tough pill to swallow. The turning point in my recovery was definitely a result of the guidance and support I received from so many incredible people. I have been able to regain my independence and live a very full and rewarding life. I'm still working in skiing, but now I'm doing administrative and promotional work. I have an opportunity to focus on safety and prevent others from getting injured."

— Josh Dueck
Injured worker

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Ian Munroe
Executive Director, Worker and Employer Services Operations

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For an electronic copy of this report, visit our web site at **www.worksafebc.com**.

Feedback

To comment on the WCB's *2004 Annual Report and 2005–2007 Service Plan*, call Scott McCloy, Director of Communications, at 604 276-3113 or e-mail smccloy@wcb.bc.ca.

Our new look and name

This annual report and service plan proudly displays our updated operating name and logo, WorkSafeBC, which reflects our day-to-day focus on prevention, return to work, and customer service. Identifying the Workers' Compensation Board of British Columbia as WorkSafeBC conveys the spirit of our values and guiding principles, as well as our commitment to adding value to B.C.'s workplaces, workers, and employers. WorkSafeBC does more than just identify our organization: it epitomizes the very essence of our guiding vision of workers and workplaces safe and secure from injury, illness, and disease.

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